

**ROCK RAPIDS MUNICIPAL UTILITIES,  
A COMPONENT UNIT OF  
THE CITY OF ROCK RAPIDS**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2015**

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**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Officials**

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
David Foltz	Board of Trustees Chairman	August 31, 2017
Randal Koll	Board of Trustees Vice Chairman	August 31, 2015
George Schneidermann	Board of Trustees Member	August 31, 2019
Rhonda Menning	Board of Trustees Ex-Official Member	August 31, 2015
Jordan Kordahl	Board of Trustees Secretary	Indefinite
James Hoye	Utilities Manager	Indefinite
Austin, Haberkorn, Kippely & Wippert	Attorneys	Indefinite



# **DE NOBLE, AUSTIN & COMPANY PC**

## **Certified Public Accountants**

### **MEMBERS**

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Rock Rapids, IA 51246  
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American Institute - Certified Public Accountants  
Private Companies Practice Section  
Iowa Society - Certified Public Accountants

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### **Independent Auditor's Report**

To the Members of the Utilities Board of Trustees:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the Rock Rapids Municipal Utilities, a component unit of the City of Rock Rapids, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the Utilities' basic financial statements listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Basis for Adverse Opinions on the Business Type Activities and Each Major Proprietary Fund**

As discussed in Note 1 to the Financial Statements, management has not recorded the net other postemployment benefits (OPEB) liability in the business type activities and the proprietary funds and, accordingly, has not recorded the corresponding OPEB expense. There are also no disclosures reported on the OPEB obligation in the Notes to the Financial Statements. Accounting principles generally accepted in the United States of America require that the net OPEB liability be reported and expensed, which would

increase liabilities and expenses and decrease fund net position of the business type activities and the proprietary funds and that certain information/data be disclosed in the Notes to the Financial Statements in regards to the OPEB. The amount by which this departure would affect the liabilities, net position and expenses of the business type activities and the proprietary funds and the failure to report the required OPEB disclosures is not reasonably determinable.

#### Adverse Opinions

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinions on the Business Type Activities and Each Major Proprietary Fund” paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the business type activities and each major proprietary fund of the Rock Rapids Municipal Utilities, a component unit of the City of Rock Rapids, Iowa, at June 30, 2015, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental major fund of the Rock Rapids Municipal Utilities’, a component unit of the City of Rock Rapids, Iowa, at June 30, 2015, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Emphasis of Matter

As discussed in Note 20 to the Financial Statements, the Rock Rapids Municipal Utilities adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

#### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Utilities’ Proportionate Share of the Net Pension Liability and the Schedule of Utilities’ Contributions on pages 5 through 12 and 52 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management has omitted the Schedule of Funding Progress for the Retiree Health Plan that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an



appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted required supplementary information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rock Rapids Municipal Utilities', a component unit of the City of Rock Rapids, Iowa, basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two fiscal years ended June 30, 2014 (which are not presented herein) and expressed dual adverse opinions/unmodified opinions on those financial statements. We expressed dual adverse opinions for the two fiscal years ended June 30, 2014, because management did not record the net other postemployment benefits (OPEB) liability in the business type activities and each major proprietary fund and, accordingly, did not record the corresponding OPEB expense. There were also no disclosures reported on the OPEB obligation in the Notes to Financial Statements. Accounting principles generally accepted in the United States of America require that the net OPEB liability be reported and expensed, which would increase liabilities and expenses and decrease fund net position of the business type activities and each proprietary fund and that certain information/data be disclosed in the Notes to Financial Statements in regards to the OPEB. The supplementary information included in Schedules 1 through 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of not recording the net OPEB liability and the corresponding expense in the business type activities and each major proprietary fund and not reporting disclosures on the net OPEB obligation in the Notes to Financial Statements for the fiscal year ended June 30, 2014, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2016, on our consideration of the Rock Rapids Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Rock Rapids Municipal Utilities' internal control over financial reporting and compliance.

*De Noble, Austin & Company PC*

De Noble & Company PC  
d/b/a De Noble, Austin & Company PC  
Certified Public Accountants

January 25, 2016

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## Management's Discussion and Analysis

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The Rock Rapids Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. The Rock Rapids Municipal Utilities is a component unit (as determined by criteria specified by the Governmental Accounting Standards Board) of the City of Rock Rapids. While the Rock Rapids Municipal Utilities is considered legally separate from the City, there is a financial benefit/burden relationship between the City and the Utilities, and a relationship such that exclusion would cause the City of Rock Rapids' financial statements to be misleading or incomplete. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- The Utilities' governmental and business type activities total net position increased 0.2% during the fiscal year ended June 30, 2015. The total net position increased from \$15,767,565 (as restated) to \$16,226,377, a \$458,812 increase. The governmental activities net position increased by \$60,492 and the business type activities increased by \$398,320.
- The Utilities' business type activities total revenues/special item/extraordinary items decreased (4.9)% during the fiscal year ended June 30, 2015. The total revenues/special item/extraordinary items decreased from \$4,938,830 to \$4,696,931, a \$(241,899) decrease. The decrease was primarily the result of a decrease in the Electric and Gas Utilities' charges for services. These decreases were partially offset by the additional grant revenues in fiscal year 2015 (FEMA Flooding; Hazard Mitigation Program).
- The Utilities' business type activities total expenses decreased (8.9)% during the fiscal year ended June 30, 2015. The total expenses decreased from \$4,652,282 to \$4,238,611, a \$(413,671) decrease. The majority of the decrease was due to decreases in operational expenses during the fiscal year in the Gas and Electric Utilities. These decreases were partially offset by an increase in free community services expenses in comparison to the prior year.
- The Gas Utility Fund transferred \$60,000 (other financing use) to the Revolving Loan Fund (other financing source) during the fiscal year ended June 30, 2015.
- The change in net position for the fiscal year ended June 30, 2015 for each individual Enterprise Fund was as follows:

Electric Utility	\$ 84,017
Water Utility	216,081
Sewer Utility	110,339
Gas Utility	(12,117)
Total	<u>\$ 398,320</u>

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

The Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The "Government-Wide Financial Statements" consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Utilities as a whole and present an overall view of the Utilities' finances.

The "Fund Financial Statements" report the Utilities' operations in more detail than the Government-Wide Financial Statements by providing information about each of the funds.

The "Notes to Financial Statements" provide additional information essential to a full understanding of the data provided in the basic financial statements.

The "Required Supplementary Information" further explains and supports the financial statements with a comparison of the Utilities' budget for the year and the Utilities' proportionate share of the net pension liability and related contributions.

The "Supplementary Information" provides detailed comparison information for each Utility by comparing the fiscal year ended June 30, 2015, to the fiscal years ended June 30, 2014 and 2013.

## **REPORTING THE UTILITIES' FINANCIAL ACTIVITIES**

### **Government-Wide Financial Statements**

One of the most important questions asked about the Utilities' finances is, "Is the Utilities as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the Utilities' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as "net position". Over time, increases or decreases in the Utilities' net position may serve as a useful indicator of whether the financial position of the Utilities is improving or deteriorating.

The Statement of Activities presents information showing how the Utilities' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The Statement of Net Position and the Statement of Activities report two kinds of activities:

- Governmental activities include economic development through the Revolving Loan Fund.
- Business type activities include the Electric, Water, Sewer and Gas Utility departments. These activities are financed primarily by user charges.

## Fund Financial Statements

The Utilities has two kinds of funds:

- (1) The Utilities has a Governmental (Special Revenue) Fund to account for a revolving loan program that was originally established through \$300,000 in funding provided by a "Rural Economic Development Grant" and has been also funded by matching contributions from the Gas Utility Fund. This fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund financial statements provide a detailed, short-term view of the Utilities' governmental operation and the basic service it is providing. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Utilities' revolving loan program.

The required financial statements for the Governmental Fund include a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balance.

- (2) Proprietary Funds are used to account for the Utilities' Enterprise Funds. These funds report services for which the Utilities charges customers for the service it provides. Proprietary Funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the Proprietary Funds and the business type activities included in the Government-Wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Fund statements. The Enterprise Funds include the Electric, Water, Sewer and Gas Funds, each considered to be a major fund of the Utilities. The Utilities is responsible for ensuring the assets reported in these funds are used only for intended purposes and by those to whom the assets belong.

The financial statements required for the Proprietary Funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for the governmental and business type activities from the prior fiscal year.

	Governmental Activities		Business Type Activities	
	Net Position at Year End		Net Position at Year End	
	June 30, 2015	June 30, 2014 (Not Restated)	June 30, 2015	June 30, 2014 (Not Restated)
Current Assets	\$ 174,885	138,393	4,704,916	4,897,153
Restricted Cash (Checking)	0	0	81,104	75,235
Capital Assets (Net)	0	0	11,041,025	11,015,459
Other Assets	246,000	222,000	771,770	266,553
Total Assets	420,885	360,393	16,598,815	16,254,400
Deferred Outflows of Resources	0	0	72,500	0



Current Liabilities				
(Payable from Current Assets)	0	0	300,895	323,801
Current Liabilities				
(Payable from Restricted Assets)	0	0	52,255	57,153
Long-Term Liabilities	0	0	345,098	34,777
Total Liabilities	0	0	734,212	415,731
Deferred Inflows of Resources	0	0	131,611	0
Net Position:				
Net Investment in Capital Assets	0	0	11,041,025	11,015,459
Restricted	420,885	360,393	28,849	18,082
Unrestricted	0	0	4,735,618	4,805,128
Total Net Position	\$ 420,885	360,393	15,805,492	15,838,669

The largest portion of the Utilities' business type activities net position is the net investment in capital assets (land, utility plant, transportation equipment, office equipment, tools and safety devices, communication equipment, meter testing equipment, intangibles and construction work in progress) (69.9% of the business type activities net position total for fiscal year ended June 30, 2015). For fiscal years ended June 30, 2015 and June 30, 2014, there is no capital assets related external debt. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used (100% of the net position total for governmental activities and 0.2% of the net position total for business type activities for fiscal year ended June 30, 2015). Unrestricted net position is the component of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements (29.9% of the net position total for business type activities for fiscal year ended June 30, 2015).

The Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The beginning net position for the business-type activities was restated \$(431,497) to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

	Governmental Activities		Business Type Activities	
	Change in Net Position		Change in Net Position	
	For the Year Ended		For the Year Ended	
	June 30, 2014		June 30, 2014	
	June 30, 2015	(Not Restated)	June 30, 2015	(Not Restated)
Revenues:				
Program Revenues:				
Charges for Services	\$ 0	0	4,329,349	4,771,476
Restricted Operating Interest	492	265	0	0
Operating Contributions	0	0	5,046	13,848
Capital Contributions	0	0	27,340	12,148
General Revenues:				
Gain on Disposal of Capital Assets	0	0	29,390	8,706
Rentals	0	0	7,720	6,880
Customer Penalties/Credit Card Fees	0	0	3,188	3,276
Interest Income	0	0	28,338	29,861
Insurance Settlement	0	0	5,254	0
Total Revenues	492	265	4,435,625	4,846,195
Program Expenses:				
Electric	0	0	2,185,101	2,241,470
Water	0	0	613,838	615,094
Sewer	0	0	262,582	291,669
Gas	0	0	1,177,090	1,504,049
Total Expenses	0	0	4,238,611	4,652,282
Special Items:				
Hazard Mitigation Grant Program	0	0	53,340	1,588
Total Special Items	0	0	53,340	1,588
Extraordinary Items:				
FEMA Disaster Grant (Ice Storm)	0	0	0	33,437
FEMA Disaster Grant (Flooding)	0	0	207,966	57,610
Total Extraordinary Items	0	0	207,966	91,047
Other Financing Source (Use):				
Transfer – Gas Utility to Revolving Loan	60,000	0	( 60,000)	0
Increase in Net Position	60,492	265	398,320	286,548
Net Position Beginning of Year, As Restated	360,393	360,128	15,407,172	15,552,121
Net Position End of Year	\$ 420,885	360,393	15,805,492	15,838,669

The “Increase in Net Position” from fiscal year ended June 30, 2015, compared to June 30, 2014, was higher by \$60,227, a 227.3% increase, in the governmental activities and higher by \$111,772, a 39.0% increase, in the business type activities. The Utilities total net position (governmental activities and business type activities) increased \$27,315, up .2% during the fiscal year ended June 30, 2015. The “Increase in Net Position” was up in the governmental activities due to the transfer in from the gas



utility. The primary reason the amount of "Increase in Net Position" in the business type activities was higher than last year was the FEMA Disaster Grant proceeds increased from the prior year by \$116,919, as well as \$51,752 increase in the Hazard Mitigation Grant Program proceeds. However, overall, the business type activities net position at the end of the year did decrease by \$(33,177) from the prior year as a result of implementing GASB Statement No. 68.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### **Revolving Loan Fund (Special Revenue)**

The Revolving Loan Fund was originally established by a \$60,000 transfer from the Gas Utility Fund and a \$300,000 "Rural Economic Development Grant". The initial \$360,000 was loaned to help in the funding of building a commercial spec building that was sold on contract to a local businessman. The contract and collateral were assigned to the Utilities. As this contract is repaid (\$36,000/year repayment), the Utilities will have money available that can be loaned to area businesses for new endeavors, to maintain retention or for expansion. During the fiscal year ended June 30, 2015, the Gas Utility Fund transferred \$60,000 to the Revolving Loan Fund, which was paid to the Rock Rapids Area Development Foundation (RRADF) as a partial payment on a \$360,000 loan for the construction of a commercial spec building. The remaining \$300,000 loan will be advanced to the RRADF in fiscal year 2015/2016 with proceeds received from a Rural Economic Development Grant.

### **Operating Revenues (Utility Funds)**

Electric Fund operating revenues were \$2,170,100, down \$(98,481) or (4.3%) from the previous fiscal year. The decreased revenues were primarily the result of decreased residential usage.

Water Fund operating revenues were \$785,986, up \$36,283 or 4.8% from the previous fiscal year, due mainly to an increase in sales to Lyon and Sioux Rural Water System, Inc., as well as a price increase in metered water sales.

Sewer Fund operating revenues were \$258,880, down \$(2,954) or (1.1%) from the previous fiscal year.

Gas Fund operating revenues were \$1,114,383, down \$(376,975) or (25.3%) from the previous fiscal year, due mainly to a decrease in residential and commercial sales which was significantly affected by the mild weather conditions.

### **Operating Expenses (Utility Funds)**

Electric Fund operating expenses were \$1,960,076, down \$(166,217) or (7.8%) from last fiscal year, due primarily to a decrease in purchased power costs (directly related to the decrease in usage and a decrease in the cost of purchased power).

Water Fund operating expenses were \$610,553, up \$2,185 or 0.40% from last fiscal year, due primarily to an increase in depreciation on distribution system assets (Lewis and Clark distribution system and water tower improvements). This increase in depreciation expense was offset by a decrease in distribution and payroll/pension related costs which had been higher in the prior year due to the June 2014 flood disaster.

Sewer Fund operating expenses were \$256,703, down \$(29,246) or (10.2%) from last fiscal year, due primarily to a decrease in processing expenses which had been higher as a result of the June 2014 flood disaster.

Gas Fund operating expenses were \$1,123,291, down \$(370,592) or (24.8%) from last fiscal year, due primarily to a decrease in the volume of commodity purchases, which related directly with the decrease in residential and commercial sales.

### **Net Position (Utility Funds)**

The Electric Fund, which accounts for the operation and maintenance of the electric system, ended fiscal year 2015 with a \$6,649,777 net position balance, compared to the prior year ending net position balance of \$6,565,760 (as restated), a \$84,017 increase or 1.3%. The fiscal year '13/'14 change in net position was comparable, an increase of \$84,659 or 1.3%.

The Water Fund, which accounts for the operation and maintenance of the water system, ended fiscal year 2015 with a \$3,287,176 net position balance, compared to the prior year ending net position balance of \$3,071,095 (as restated), a \$216,081 increase or 7.0%. The prior fiscal year change was an increase of \$99,656 or 3.3%. The change in net position was more than last fiscal year due primarily to operating revenues increasing more than corresponding operating expenses, as well as an increase in FEMA Disaster Grant revenue for flooding in June 2014.

The Sewer Fund, which accounts for the operation and maintenance of the sewer system, ended fiscal year 2015 with a \$1,116,922 net position balance, compared to the prior year ending net position balance of \$1,006,583 (as restated), a \$110,339 increase or 11.0%. The prior fiscal year change was an increase of \$15,175 or 1.4%. The primary reasons for the net position increase was the recognition in fiscal year 2014/2015 of \$53,340 in Hazard Mitigation Grant Program revenue and an increase in FEMA Disaster Grant revenue for the June 2014 flooding of \$24,602.

The Gas Fund, which accounts for the operation and maintenance of the gas system, ended fiscal year 2015 with a \$4,751,617 net position balance, compared to the prior year ending net position balance of \$4,763,734 (as restated), a \$12,117 decrease or 0.3%. The prior fiscal year change was an increase of \$87,058 or 1.8%. The primary reasons for the decrease in the change in net assets was due to a \$60,000 transfer from the Gas Fund to the Revolving Loan Fund to be used as a match for a Rural Economic Development Grant to be received in fiscal year 2015/2016 and an increase in free community service expense.

### **BUDGETARY HIGHLIGHTS**

During the fiscal year, the Utilities did have the City of Rock Rapids adopt one budget amendment to increase budgeted disbursements by \$1,630,000.

Actual receipts came in \$158,243 in excess of the adopted budgeted receipts. Use of money and property receipts came in \$112,980 over budget, intergovernmental receipts came in \$187,449 over budget, charges for service came in \$(206,355) under budget and miscellaneous receipts came in \$64,169 over budget. The breakdown of the charges for service by Utility is as follows: the Electric Fund receipts came in \$(64,933) under budget, the Water Fund came in \$86,234 over budget, the Sewer

Fund came in \$13,090 over budget and the Gas Fund came in \$(240,746) under budget. Other financing sources came in \$29,390 over the adopted budget.

Actual disbursements came in \$(1,397,888) under the adopted amended budget amount. The Electric Utility came in \$(988,227) under budget, the Water Utility came in \$(108,071) under budget, the Sewer Utility came in \$(32,943) under budget, the Gas Utility came in \$(228,647) under budget and the Revolving Loans Activity came in \$(40,000) under budget.

The Utilities budgets on the cash basis but maintains its records on an accrual basis; therefore, accurate cash basis budgeting is a challenge for the Utilities.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Please see Note 8 to the Financial Statements for more information about the Utilities' capital assets and related depreciation. The major additions during the fiscal year were for utility plant, a Ford F250 truck (Sewer Fund), a car (Electric Fund), and backhoe (Electric, Water & Gas Fund). Utility plant additions during the fiscal year included for Electric (substation, line improvements, and generator emission upgrade), Water (distribution system improvements), and Gas (line improvements). There were no utility plant additions for Sewer

Construction in progress at June 30, 2015, consists primarily of a waste water basin project and various June 2014 flood restoration projects.

### **Long-Term Debt**

The Utilities did not have any external long-term debt outstanding at June 30, 2015. Please see Note 3 for internal long-term loans made from the Gas Fund to the Water and Sewer Funds.

## **ECONOMIC FACTORS**

The Electric Utility, while seeing a leveling of energy costs, is in a state of flux in regards to transmission costs. The entry of Western Area Power Agency into the Southwest Power Pool has changed how and where our future transmission costs will come from. It is unclear how these changes will affect Rock Rapids Utilities' rates in the coming year.

The Water Utility will monitor its present rate structure to see if it is sufficient for the infrastructure costs coming in the near future. These costs will be for both improved distribution infrastructure and transmission needs.

The Sewer Utility will implement a rate increase in March 2016. The funds will be used to finance infrastructure improvements, which were part of future planning needs and in response to an emergency. The improvements were supplemented by grants from Homeland Security.

The Gas Utility has seen its unit sales fall in the last couple years, which may require a rate increase to cover rising overhead costs. The Gas Utility will look for opportunities to spread its costs over additional units.

The Revolving Loan Fund will collect funds from the two notes receivable issued from two of its Rural Utility Services grants. This money will help provide funding for additional loans for other projects in the local area. The investment in the community will contribute to the long term goal of spurring local development.

## **CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers and entities we have dealings with a general overview of the Utilities' finances and operating activities. If you have questions about this report or need additional financial information, contact Jim Hoye, General Manager, 310 S. 3<sup>rd</sup> St., Rock Rapids, Iowa.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Basic Financial Statements**

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Exhibit A**

**Statement of Net Position**

**June 30, 2015**

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>			
<b>Current Assets:</b>			
Cash (Checking/Money Market)	\$ 138,885	1,201,553	1,340,438
Certificates of Deposit (Cash Equivalent)	0	550,000	550,000
Certificates of Deposit	0	2,150,000	2,150,000
Accounts Receivable	0	280,483	280,483
Due From Other Governments (Related Party)	0	3,619	3,619
Due From Other Governments	0	150,124	150,124
Flex Spending Plan Receivable	0	669	669
Interest Receivable	0	8,857	8,857
Note Receivable - Rock Rapids Development Corporation	0	2,304	2,304
Note Receivable - Rock Rapids Kids Club	0	29,979	29,979
Note Receivable - Rock Rapids Business	36,000	0	36,000
Inventories	0	250,796	250,796
Prepaid Expenses	0	76,532	76,532
<b>Total Current Assets</b>	<b><u>174,885</u></b>	<b><u>4,704,916</u></b>	<b><u>4,879,801</u></b>
<b>Restricted Cash (Checking):</b>			
Customer Deposits	0	52,255	52,255
Depreciation Reserves	0	28,849	28,849
<b>Total Restricted Cash (Checking)</b>	<b><u>0</u></b>	<b><u>81,104</u></b>	<b><u>81,104</u></b>
<b>Capital Assets:</b>			
Land	0	179,087	179,087
Utility Plant	0	19,379,354	19,379,354
Transportation Equipment	0	336,639	336,639
Office Equipment	0	36,536	36,536
Tools and Safety Devices	0	300,309	300,309
Communication Equipment	0	6,949	6,949
Meter Testing Equipment	0	21,903	21,903
Intangibles	0	1,127,064	1,127,064
<b>Total Capital Assets (Before W.I.P.)</b>	<b><u>0</u></b>	<b><u>21,387,841</u></b>	<b><u>21,387,841</u></b>
<b>Less: Accumulated Depreciation/Amortization</b>	<b><u>0</u></b>	<b><u>(10,521,444)</u></b>	<b><u>(10,521,444)</u></b>
<b>Capital Assets – Net (Before W.I.P.)</b>	<b><u>0</u></b>	<b><u>10,866,397</u></b>	<b><u>10,866,397</u></b>
<b>Construction Work in Progress</b>	<b><u>0</u></b>	<b><u>174,628</u></b>	<b><u>174,628</u></b>
<b>Net Capital Assets</b>	<b><u>0</u></b>	<b><u>11,041,025</u></b>	<b><u>11,041,025</u></b>

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids  
Statement of Net Position**

**Exhibit A (Continued)**

**June 30, 2015**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Other Assets:</b>			
Notes Receivable - Rock Rapids Development Corporation	0	189,249	189,249
Note Receivable - Rock Rapids Kids Club	0	470,021	470,021
Notes Receivable - Rock Rapids Business/RRADF	246,000	0	246,000
Notes Receivable - Housing Development Incentive Program	0	112,500	112,500
<b>Total Other Assets</b>	<u>246,000</u>	<u>771,770</u>	<u>1,017,770</u>
<b>Total Assets</b>	<u>420,885</u>	<u>16,598,815</u>	<u>17,019,700</u>
<b><u>Deferred Outflows of Resources</u></b>			
Pension Related Deferred Outflows	<u>0</u>	<u>72,500</u>	<u>72,500</u>
<b><u>Liabilities</u></b>			
<b>Current Liabilities (Payable From Current Assets):</b>			
Accounts Payable	0	117,392	117,392
Due to Other Government (Related Party)	0	18,833	18,833
Due to Other Governments	0	9,377	9,377
Accrued Vacation/Comp Time Pay	0	66,523	66,523
Accrued Payroll & Payroll Liabilities	0	19,922	19,922
Advances from Customers	0	68,848	68,848
<b>Total Current Liabilities (Payable From Current Assets)</b>	<u>0</u>	<u>300,895</u>	<u>300,895</u>
<b>Liabilities Payable From Restricted Cash (Checking):</b>			
Customer Deposits	<u>0</u>	<u>52,255</u>	<u>52,255</u>
<b>Long -Term Liabilities:</b>			
Accrued Sick Leave Pay	0	35,964	35,964
Net Pension Liability	0	345,098	345,098
<b>Total Long-Term Liabilities</b>	<u>0</u>	<u>381,062</u>	<u>381,062</u>
<b>Total Liabilities</b>	<u>0</u>	<u>734,212</u>	<u>734,212</u>
<b><u>Deferred Inflows of Resources</u></b>			
Pension Related Deferred Inflows	<u>0</u>	<u>131,611</u>	<u>131,611</u>
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	0	11,041,025	11,041,025
Restricted for:			
Loans to Businesses/RRADF	420,885	0	420,885
Depreciation Reserves	0	28,849	28,849
Unrestricted	0	4,735,618	4,735,618
<b>Total Net Position</b>	<u>\$ 420,885</u>	<u>15,805,492</u>	<u>16,226,377</u>

See Notes to Financial Statements.

**Rock Rapids Municipal Utilities**  
**A Component Unit of the City of Rock Rapids**

**Statement of Activities**

**For The Fiscal Year Ended June 30, 2015**

	Program Revenues			
		Charges for	Operating Grants,	Capital Grants,
	Expenses	Services	Contributions and	Contributions and
			Restricted Interest	Restricted Interest
Functions/Programs:				
Governmental Activities:				
Revolving Loans	\$ 0	0	492	0
Business Type Activities:				
Electric Utility	2,185,101	2,170,100	0	0
Water Utility	613,838	785,986	5,046	24,065
Sewer Utility	262,582	258,880	0	0
Gas Utility	1,177,090	1,114,383	0	3,275
Total Business Type Activities	4,238,611	4,329,349	5,046	27,340
Totals - Rock Rapids				
Municipal Utilities	\$ 4,238,611	4,329,349	5,538	27,340
General Revenues:				
Gain on Disposal of Capital Assets				
Rentals				
Rentals (Related Party)				
Customer Penalties/Credit Card Fees				
Insurance Dividends				
Interest Income				
Total General Revenues				
Special Item:				
Hazard Mitigation Grant Program				
Extraordinary Item:				
FEMA Disaster Grant (Flooding)				
Other Financing Source(Use):				
Transfer In - Gas Utility to Revolving Loan				
Change in Net Position				
Net Position Beginning of Year, As Restated				
Net Position End of Year				

See Notes to Financial Statements.



**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ 492	0	492
0	(15,001)	(15,001)
0	201,259	201,259
0	(3,702)	(3,702)
0	(59,432)	(59,432)
0	123,124	123,124
\$ 492	123,124	123,616
0	29,390	29,390
0	2,720	2,720
0	5,000	5,000
0	3,188	3,188
0	5,254	5,254
0	28,338	28,338
0	73,890	73,890
0	53,340	53,340
0	207,966	207,966
60,000	(60,000)	0
60,492	398,320	458,812
360,393	15,407,172	15,767,565
\$ 420,885	15,805,492	16,226,377

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Balance Sheet  
Governmental Fund**

**June 30, 2015**

	<u>Special Revenue</u>
	<u>Revolving Loan</u>
<b><u>Assets</u></b>	
<b>Current Assets:</b>	
Cash (Money Market)	\$ 138,885
Note Receivable - Rock Rapids Business	<u>36,000</u>
<b>Total Current Assets</b>	174,885
<b>Other Asset:</b>	
Notes Receivable - Rock Rapids Business/RRADF	<u>246,000</u>
<b>Total Assets</b>	<u><u>\$ 420,885</u></u>
<b><u>Fund Balance</u></b>	
Restricted For:	
Loans to Businesses/RRADF	<u>\$ 420,885</u>
<b>Total Fund Balance</b>	<u><u>\$ 420,885</u></u>

See Notes to Financial Statements.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Statement of Revenues, Expenditures and Change in Fund Balance  
Governmental Fund**

**For the Fiscal Year Ended June 30, 2015**

	<u>Special Revenue</u>
	<u>Revolving Loan</u>
<b>Revenues:</b>	
Interest Income	\$ 492
<b>Expenditures:</b>	
None	<u>0</u>
<b>Excess of Revenues over Expenditures</b>	492
<b>Other Financing Source:</b>	
Transfer In - Gas Fund	<u>60,000</u>
<b>Net Change in Fund Balance</b>	60,492
<b>Fund Balance Beginning of Year</b>	<u>360,393</u>
<b>Fund Balance End of Year</b>	<u><u>\$ 420,885</u></u>

See Notes to Financial Statements.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Exhibit E**

**Statement of Net Position  
Proprietary Funds**

**June 30, 2015**

	<b>Enterprise Funds</b>				
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Gas Utility</b>	<b>Total</b>
<b><u>Assets</u></b>					
<b>Current Assets:</b>					
Cash (Checking)	\$ 33,407	354,563	67,646	745,937	1,201,553
Certificates of Deposit (Cash Equivalent)	250,000	0	0	300,000	550,000
Certificates of Deposit	750,000	0	0	1,400,000	2,150,000
Accounts Receivable	119,489	68,845	21,190	70,959	280,483
Due From Other Utility Funds	0	0	0	117,026	117,026
Due From Other Governments (Related Party)	3,446	686	398	(911)	3,619
Due From Other Governments	28,037	39,474	80,870	1,743	150,124
Interest Receivable	1,292	0	0	7,565	8,857
Flex Spending Plan Receivable	669	0	0	0	669
Note Receivable-Rock Rapids Kids Club	29,979	0	0	0	29,979
Note Receivable-Rock Rapids Development Corporation	0	0	0	2,304	2,304
Inventories	154,081	40,092	0	56,623	250,796
Prepaid Expenses	25,114	20,652	19,855	10,911	76,532
<b>Total Current Assets</b>	<b>1,395,514</b>	<b>524,312</b>	<b>189,959</b>	<b>2,712,157</b>	<b>4,821,942</b>
<b>Restricted Cash (Checking):</b>					
Customer Deposits	21,072	6,535	0	24,648	52,255
Depreciation Reserves	0	0	28,849	0	28,849
<b>Total Restricted Cash (Checking)</b>	<b>21,072</b>	<b>6,535</b>	<b>28,849</b>	<b>24,648</b>	<b>81,104</b>
<b>Capital Assets:</b>					
Land	46,913	118,311	0	13,863	179,087
Utility Plant	10,023,620	5,841,698	2,379,503	1,134,533	19,379,354
Transportation Equipment	173,015	29,951	43,724	89,949	336,639
Office Equipment	22,969	3,594	1,797	8,176	36,536
Tools and Safety Devices	155,825	36,414	9,676	98,394	300,309
Communication Equipment	5,943	1,006	0	0	6,949
Meter Testing Equipment	16,235	5,668	0	0	21,903
Intangibles	11,990	1,099,729	3,355	11,990	1,127,064
Total Capital Assets (Before W.I.P.)	10,456,510	7,136,371	2,438,055	1,356,905	21,387,841
Less: Accumulated Depreciation/Amortization	(5,426,077)	(2,838,535)	(1,538,493)	(718,339)	(10,521,444)
Capital Assets – Net (Before W.I.P.)	5,030,433	4,297,836	899,562	638,566	10,866,397
Construction Work in Progress	21,021	27,302	126,305	0	174,628
<b>Net Capital Assets</b>	<b>5,051,454</b>	<b>4,325,138</b>	<b>1,025,867</b>	<b>638,566</b>	<b>11,041,025</b>

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Exhibit E (Continued)**

**Statement of Net Position  
Proprietary Funds**

**June 30, 2015**

	<b>Enterprise Funds</b>				
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Gas Utility</b>	<b>Total</b>
<b>Other Assets:</b>					
Advances to Other Utility Funds	0	0	0	1,337,021	1,337,021
Note Receivable - Rock Rapids Kids Club	470,021	0	0	0	470,021
Note Receivable - Rock Rapids Development Corporation	0	0	0	189,249	189,249
Notes Receivable - Housing Development Incentive Program	0	0	0	112,500	112,500
<b>Total Other Assets</b>	<b>470,021</b>	<b>0</b>	<b>0</b>	<b>1,638,770</b>	<b>2,108,791</b>
<b>Total Assets</b>	<b>6,938,061</b>	<b>4,855,985</b>	<b>1,244,675</b>	<b>5,014,141</b>	<b>18,052,862</b>
<b><u>Deferred Outflows of Resources</u></b>					
Pension Related Deferred Outflows	29,000	14,500	10,875	18,125	72,500
<b><u>Liabilities</u></b>					
<b>Current Liabilities (Payable From Current Assets):</b>					
Accounts Payable	51,473	16,938	34,680	14,301	117,392
Due To Other Utility Fund	0	103,130	13,896	0	117,026
Due To Other Governments (Related Party)	175	100	50	18,508	18,833
Due To Other Governments	5,948	2,163	308	958	9,377
Accrued Vacation/Comp Time Pay	25,094	12,797	9,553	19,079	66,523
Accrued Payroll & Payroll Liabilities	7,716	3,343	2,845	6,018	19,922
Advances from Customers	2,104	0	0	66,744	68,848
<b>Total Current Liabilities (Payable From Current Assets)</b>	<b>92,510</b>	<b>138,471</b>	<b>61,332</b>	<b>125,608</b>	<b>417,921</b>
<b>Liabilities Payable From Restricted Cash (Checking):</b>					
Customer Deposits	21,072	6,535	0	24,648	52,255
<b>Long -Term Liabilities:</b>					
Accrued Sick Leave Pay	13,019	5,940	5,789	11,216	35,964
Advances From Other Utility Fund	0	1,337,021	0	0	1,337,021
Net Pension Liability	138,039	69,020	51,765	86,274	345,098
<b>Total Long-Term Liabilities</b>	<b>151,058</b>	<b>1,411,981</b>	<b>57,554</b>	<b>97,490</b>	<b>1,718,083</b>
<b>Total Liabilities</b>	<b>264,640</b>	<b>1,556,987</b>	<b>118,886</b>	<b>247,746</b>	<b>2,188,259</b>
<b><u>Deferred Inflows of Resources</u></b>					
Pension Related Deferred Inflows	52,644	26,322	19,742	32,903	131,611
<b><u>Net Position</u></b>					
Net Investment in Capital Assets	5,051,454	2,899,072	1,011,971	638,566	9,601,063
Restricted for:					
Depreciation Reserves	0	0	28,849	0	28,849
Unrestricted	1,598,323	388,104	76,102	4,113,051	6,175,580
<b>Total Net Position</b>	<b>\$6,649,777</b>	<b>3,287,176</b>	<b>1,116,922</b>	<b>4,751,617</b>	<b>15,805,492</b>

See Notes to Financial Statements.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds**

**For the Fiscal Year Ended June 30, 2015**

	<b>Enterprise Funds</b>				<b>Total</b>
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Gas Utility</b>	
<b>Operating Revenues:</b>					
Residential Sales	\$1,081,335	0	0	667,393	1,748,728
Commercial Sales	1,045,847	0	0	439,737	1,485,584
Public Street and Highway Lighting	14,035	0	0	0	14,035
Wind Power – Residential and Commercial	456	0	0	0	456
Water Sales – Metered	0	323,542	0	0	323,542
Water Sales – Rural Water System	0	454,431	0	0	454,431
Water Sales – Tank Loads	0	738	0	0	738
Sewer Service	0	0	257,550	0	257,550
Material and Service Sales	20,078	3,583	150	1,729	25,540
Service Income	4,217	1,331	0	1,392	6,940
Service Income (Related Party)	4,132	2,361	1,180	4,132	11,805
<b>Total Operating Revenues</b>	<b>2,170,100</b>	<b>785,986</b>	<b>258,880</b>	<b>1,114,383</b>	<b>4,329,349</b>
<b>Operating Expenses:</b>					
Production/Processing Expense	1,269,146	240,765	124,772	729,412	2,364,095
Distribution Expense	251,618	88,655	0	122,935	463,208
Accounting and Collecting	27,143	14,252	7,792	30,059	79,246
Administrative and General	184,843	102,158	63,082	173,706	523,789
Transportation	4,030	4,068	2,951	3,181	14,230
Depreciation	198,862	146,927	47,879	41,859	435,527
Payroll Taxes/IPERS	24,434	13,728	10,227	22,139	70,528
<b>Total Operating Expenses</b>	<b>1,960,076</b>	<b>610,553</b>	<b>256,703</b>	<b>1,123,291</b>	<b>3,950,623</b>
<b>Operating Income (Loss)</b>	<b>210,024</b>	<b>175,433</b>	<b>2,177</b>	<b>(8,908)</b>	<b>378,726</b>

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds**

**For the Fiscal Year Ended June 30, 2015**

	<b>Enterprise Funds</b>				<b>Total</b>
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Gas Utility</b>	
<b>Nonoperating Revenues (Expenses):</b>					
Gain on Disposal of Capital Assets	17,240	4,050	0	8,100	29,390
Rentals	0	2,720	0	0	2,720
Rentals (Related Party)	5,000	0	0	0	5,000
Customer Penalties/Credit Card Fees	1,789	260	229	910	3,188
Insurance Dividends	1,839	1,051	525	1,839	5,254
Interest Income	6,718	7	0	21,613	28,338
Interest Income (Water, Sewer Funds)	0	0	0	65,674	65,674
Insurance Proceeds	0	5,046	0	0	5,046
Construction Support Payment	0	24,065	0	3,275	27,340
Free Community Service (Related Party)	(187,819)	(2,485)	(5,879)	(12,651)	(208,834)
Free Community Service	(36,902)	(800)	0	(40,817)	(78,519)
Interest Expense	(304)	0	0	(331)	(635)
Interest Expense (Gas Fund)	0	(64,547)	(1,127)	0	(65,674)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(192,439)</b>	<b>(30,633)</b>	<b>(6,252)</b>	<b>47,612</b>	<b>(181,712)</b>
<b>Change in Net Position Before Special Item, Extraordinary Item and Other Financing Use</b>	<b>17,585</b>	<b>144,800</b>	<b>(4,075)</b>	<b>38,704</b>	<b>197,014</b>
<b>Special Item:</b>					
Hazard Mitigation Grant Program	0	0	53,340	0	53,340
<b>Extraordinary Item:</b>					
FEMA Disaster Grant (Flooding)	66,432	71,281	61,074	9,179	207,966
<b>Other Financing Use:</b>					
Transfer Out - Revolving Loan Fund	0	0	0	(60,000)	(60,000)
<b>Change in Net Position After Special Item, Extraordinary Item and Other Financing Use</b>	<b>84,017</b>	<b>216,081</b>	<b>110,339</b>	<b>(12,117)</b>	<b>398,320</b>
<b>Net Position Beginning of Year, As Restated</b>	<b>6,565,760</b>	<b>3,071,095</b>	<b>1,006,583</b>	<b>4,763,734</b>	<b>15,407,172</b>
<b>Net Position End of Year</b>	<b>\$6,649,777</b>	<b>3,287,176</b>	<b>1,116,922</b>	<b>4,751,617</b>	<b>15,805,492</b>

See Notes to Financial Statements.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Exhibit G**

**Statement of Cash Flows  
Proprietary Funds**

**For the Fiscal Year Ended June 30, 2015**

	<b>Enterprise Funds</b>				
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Gas Utility</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>					
Cash Received from Customers and Users	\$ 2,153,297	799,159	266,096	1,174,549	4,393,101
Cash Received from Interfund Services Provided	59,704	1,328	390	6,212	67,634
Cash Received from Other Revenues	5,000	31,831	0	3,275	40,106
Cash Paid to Suppliers/Outside Service Providers	(1,516,347)	(291,564)	(98,956)	(841,181)	(2,748,048)
Cash Paid for Personal Services (Employees)	(299,942)	(163,621)	(114,608)	(250,719)	(828,890)
Cash Paid for Interfund Services Used	(6,626)	(32,048)	(27,750)	(1,210)	(67,634)
Cash Paid for Free Community Service (Related Party)	(187,819)	(2,485)	(5,879)	(12,651)	(208,834)
Cash Paid for Free Community Service	(21,619)	(800)	0	(3,600)	(26,019)
<b>Net Cash Provided By Operating Activities</b>	<b>185,648</b>	<b>341,800</b>	<b>19,293</b>	<b>74,675</b>	<b>621,416</b>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfer to the Revolving Loan (Special Revenue) Fund	0	0	0	(60,000)	(60,000)
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Principal Payments on Interfund Loan from the Gas Utility	0	(85,385)	(17,772)	0	(103,157)
Interest Paid on Interfund Loan from the Gas Utility	0	(65,594)	(1,127)	0	(66,721)
Proceeds from Sale of Capital Assets	17,240	4,050	0	8,100	29,390
Purchases/Construction of Capital Assets	(260,477)	(60,786)	(119,738)	(38,692)	(479,693)
Extraordinary Item: FEMA Disaster Grant (Ice Storm)	63,627	36,072	71,921	15,829	187,449
<b>Net Cash Used For Capital and Related Financing Activities</b>	<b>(179,610)</b>	<b>(171,643)</b>	<b>(66,716)</b>	<b>(14,763)</b>	<b>(432,732)</b>
<b>Cash Flows From Investing Activities:</b>					
Principal Received on Interfund Loans	0	0	0	103,157	103,157
Interest Received on Interfund Loans	0	0	0	66,721	66,721
Cashed In (Non Cash Equivalent) Certificates of Deposit (Net)	500,000	0	0	550,000	1,050,000
Interest Received	7,236	7	0	22,361	29,604
Insurance Dividends	1,839	1,051	525	1,839	5,254
Customer Penalties/Credit Card Fees Received	1,789	260	229	910	3,188
Loan Payment on the Rock Rapids Development Corporation Notes Receivable	0	0	0	6,000	6,000
Issuance of Forgivable Notes Receivable - Housing Development Incentive Program	0	0	0	(90,000)	(90,000)
Issuance of Note Receivable to Rock Rapids Kids Club	(500,000)	0	0	0	(500,000)
<b>Net Cash Provided By Investing Activities</b>	<b>10,864</b>	<b>1,318</b>	<b>754</b>	<b>660,988</b>	<b>673,924</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>16,902</b>	<b>171,475</b>	<b>(46,669)</b>	<b>660,900</b>	<b>802,608</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>287,577</b>	<b>189,623</b>	<b>143,164</b>	<b>409,685</b>	<b>1,030,049</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 304,479</b>	<b>361,098</b>	<b>96,495</b>	<b>1,070,585</b>	<b>1,832,657</b>

**Noncash Financing and Investing Activities:**

During the fiscal year ended June 30, 2015, the Rock Rapids Municipal Utilities forgave \$52,500 of principal on the "Notes Receivable - Housing Development Incentive Program" asset as the requirements stated in the established program were achieved on this portion of the notes. The \$52,500 was forgiven through the Electric and Gas Utility Funds (\$15,283 and \$37,217, respectively) and expensed as a portion of the "Free Community Service" account.



**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Exhibit G (Continued)**

**Statement of Cash Flows  
Proprietary Funds**

**For the Fiscal Year Ended June 30, 2015**

	<b>Enterprise Funds</b>				
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Gas Utility</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</b>					
Operating Income (Loss)	\$ 210,024	175,433	2,177	(8,908)	378,726
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:</b>					
Depreciation	198,862	146,927	47,879	41,859	435,527
Proceeds from Rentals	0	2,720	0	0	2,720
Proceeds from Rentals (Related Party)	5,000	0	0	0	5,000
Proceeds from Insurance	0	5,046	0	0	5,046
Proceeds from Construction Support Payments	0	24,065	0	3,275	27,340
Free Community Service (Related Party)	(187,819)	(2,485)	(5,879)	(12,651)	(208,834)
Free Community Service	(21,619)	(800)	0	(3,600)	(26,019)
Deposit Interest Paid	(304)	0	0	(331)	(635)
<b>Changes in Assets and Liabilities:</b>					
Decrease in Accounts Receivable (Non Capital Assets Related)	34,554	10,957	7,060	9,979	62,550
Decrease (Increase) in Due From Other Governments (Related Party)	10,342	(1)	181	2,900	13,422
Decrease (Increase) in Due From Other Governments (Non Grants Related)	(1,207)	3,193	333	2,485	4,804
(Increase) in Flex Spending Plan Receivable	(669)	0	0	0	(669)
(Increase) in Inventories	(20,019)	(7,236)	0	(12,052)	(39,307)
Decrease (Increase) in Prepaid Expenses	1,290	(2,993)	(3,652)	(1,400)	(6,755)
(Decrease) in Customer Deposits (Cash)	(3,786)	(795)	0	(317)	(4,898)
(Increase) in Pension Related Deferred Outflows	(8,661)	(4,331)	(3,248)	(5,413)	(21,653)
Increase (Decrease) in Accounts Payable (Non Capital Assets Related)	(33,602)	(7,708)	(23,454)	7,162	(57,602)
(Decrease) in Due to Other Governments (Related Party)	0	0	0	(8,772)	(8,772)
Increase in Due to Other Governments	3,211	1,351	141	592	5,295
Increase (Decrease) in Accrued Vacation/Comp Time Pay	(163)	(70)	371	1,241	1,379
(Decrease) in Flex Spending Payable	(502)	0	0	0	(502)
Increase (Decrease) in Accrued Payroll & Payroll Liabilities	691	(688)	(1,940)	1,223	(714)
Increase in Advances from Customers	1,931	0	0	58,484	60,415
Increase in Accrued Sick Leave Pay	348	342	169	328	1,187
(Decrease) in Net Pension Liability	(54,898)	(27,449)	(20,587)	(34,312)	(137,246)
Increase in Pension Related Deferred Inflows	52,644	26,322	19,742	32,903	131,611
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 185,648</b>	<b>341,800</b>	<b>19,293</b>	<b>74,675</b>	<b>621,416</b>
<b>Reconciliation of Cash and Cash Equivalents at Year End to Specific Assets Included on the Statement of Net Position:</b>					
Current Assets:					
Cash (Checking)	\$ 33,407	354,563	67,646	745,937	1,201,553
Certificates of Deposit (Cash Equivalent)	250,000	0	0	300,000	550,000
Restricted Cash (Checking):					
Customer Deposits (Cash - Checking)	21,072	6,535	0	24,648	52,255
Depreciation Reserves (Cash - Checking)	0	0	28,849	0	28,849
<b>Cash and Cash Equivalents at Year End</b>	<b>\$ 304,479</b>	<b>361,098</b>	<b>96,495</b>	<b>1,070,585</b>	<b>1,832,657</b>

See Notes to Financial Statements.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Notes to Financial Statements**

**June 30, 2015**

**(1) Summary of Significant Accounting Policies**

The Rock Rapids Municipal Utilities is a component unit (as determined by criteria specified by the Governmental Accounting Standards Board) of the City of Rock Rapids, which is a political subdivision of the State of Iowa located in Lyon County, Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The Rock Rapids Municipal Utilities provides electric, water, sewer, and gas utilities and related services to its customers. The Utilities has also established a Revolving Loan Fund to assist in the financing of approved rural economic development projects. The Rock Rapids Municipal Utilities is established and operated in accordance with Chapter 388 of the Code of Iowa. The Utilities is governed by a three-member Board of Trustees appointed by the Mayor and approved by the City Council, which exercises oversight responsibility under the criteria of the Code of Iowa.

The financial statements of the Rock Rapids Municipal Utilities have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board except that management has not recorded the net other postemployment benefits (OPEB) liability and the corresponding OPEB expense in the business type activities and each major proprietary (enterprise) fund. There are also no disclosures reported on the OPEB obligation in the Notes to the Financial Statements.

The Rock Rapids Municipal Utilities operates a single-employer retiree benefit plan which provides medical/prescription drug benefits through a plan with the Sanford Health Plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and OPEB liability/expense. Accounting principles generally accepted in the United States of America require that this net OPEB liability be reported and expensed, which would increase liabilities and expenses and decrease net assets of the business type activities and the proprietary funds. Required disclosures to be in conformity with accounting principles generally accepted in the United States of America that are omitted for this implicit rate subsidy include the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress, and actuarial methods and assumptions.

Management has also decided to omit the Schedule of Funding Progress for the Retiree Health Plan that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the Rock Rapids Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. The Utilities has also considered all potential component units for which it is financially accountable and

other organizations for which the nature and significance of their relationship with the Utilities are such that exclusion would cause the Utilities' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Utilities to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Utilities. The Rock Rapids Municipal Utilities has no component units which meet the Governmental Accounting Standards Board criteria.

As previously noted, the Rock Rapids Municipal Utilities is a component unit of the City of Rock Rapids. While the Rock Rapids Municipal Utilities is considered legally separate from the City, there is a financial benefit/burden relationship between the City and the Utilities, and a relationship such that exclusion would cause the City of Rock Rapids' financial statements to be misleading or incomplete. The City of Rock Rapids appoints the Utilities' governing body as already disclosed.

The Rock Rapids Municipal Utilities made contributions to the City of Rock Rapids in the amount of \$208,834 (reported as Free Community Service – Related Party) for the fiscal year ended June 30, 2015. The Electric Fund contributed \$187,819, the Water Fund contributed \$2,485, the Sewer Fund contributed \$5,879; and the Gas Fund contributed \$12,651. The City of Rock Rapids paid \$5,000 to the Electric Fund of the Rock Rapids Municipal Utilities for rent (reported as “Rentals-Related Party”) and \$11,805 (\$4,132 to the Electric Fund; \$2,361 to the Water Fund; \$1,180 to the Sewer Fund; and \$4,132 to the Gas Fund) for garbage/recycling billing and collection services (reported as Service Income-Related Party). The City of Rock Rapids also pays the Utilities for utility services and both entities charge each other for any occasional labor and materials provided to each other (these costs have not been presented separately in the financial statements).

Joint Ventures – The Utilities is a participant in several joint ventures that provide goods and/or services to the Utilities. There is an ongoing financial interest and responsibility by the Utilities and other participating members, which is reflected through the price each joint venture charges to provide the goods and/or services to the Utilities and other participating members. The Utilities has this ongoing financial interest and responsibility as a member of the Missouri River Energy Services and the Lewis & Clark Regional Water System, Inc. The Utilities paid the Missouri River Energy Services \$1,202,207 for electrical power and energy services, \$2,463 for dues and \$150 for meeting registrations. The Utilities received \$82,020 from the Missouri River Energy Services as a reimbursement for electrical capacity generation fees and generator costs and \$10,129 as a reimbursement for costs related to the “Bright Energy Solutions Program.” The Utilities purchased water from Lewis & Clark Regional Water System, Inc. in the amount of \$164,511 and paid \$4,548 for lobbying charges for fiscal year ended June 30, 2015. Financial information on each joint venture entity is not included with the Utilities' financial statements. In order to obtain financial information and financial statements on each joint venture entity, to determine whether each joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit to or burden on the Utilities, please contact the Utilities Manager at the Utilities office.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all activities of the Utilities. For the most part, the effect of interfund activity has been removed from these statements, except for interfund service billings. Governmental activities, which are supported by intergovernmental revenues and interest earnings, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the Utilities’ assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization (there is no external debt for which the Utilities has to reduce the net capital assets).

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function/program are offset by program revenues. Direct expenses are those clearly identifiable with a specific function/program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function/program and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function/program. Unrestricted interest and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

The Utilities reports the following major governmental fund:

**Special Revenue:**

The Revolving Loan Fund is used to account for all funds derived from “USDA-Rural Economic Development Grant” agreements between the Utilities and Rural Development, through the Rural Business – Cooperative Service. This Revolving Loan Fund is to be used to assist in the financing, through the form of loans, approved rural economic development projects. The Revolving Loan Fund is meant to attract, retain and/or expand business that would generate public benefits to the citizens of Rock Rapids and the surrounding area.

The Utilities reports the following major proprietary funds (the Utilities considers all the proprietary funds to be major):

Enterprise:

The Electric Utility Fund is used to account for the operation and maintenance of the Utilities' electric system.

The Water Utility Fund is used to account for the operation and maintenance of the Utilities' water system.

The Sewer Utility Fund is used to account for the operation and maintenance of the Utilities' sanitary sewer system.

The Gas Utility Fund is used to account for the operation and maintenance of the Utilities' gas system.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Utilities considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Utilities.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due, as applicable. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources, as applicable.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Utilities' policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Under terms of some grant agreements, the Utilities may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and

unrestricted net positions available to finance the qualifying programs. It is the Utilities' policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities' Enterprise Funds are charges to customers for sales and services. The principal operating expenses for Enterprise Funds include the cost of sales and services (production/processing costs), distribution costs, accounting/collecting costs, administrative expenses, transportation related expenses, depreciation/amortization on capital assets and payroll taxes/IPERS. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Utilities maintains its financial records on the accrual basis of accounting.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash (Checking/Money Market), Certificates of Deposit (Cash Equivalents) and Certificates of Deposit – The cash balances of most of the Utilities funds are pooled and invested. Interest earned on investments is allocated to the appropriate fund. Investments on June 30, 2015, consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term investments that are highly liquid (including restricted cash) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. The Utilities held several certificates of deposit which had an initial maturity of three months and are considered to be cash equivalents. As of June 30, 2015, the Electric Fund had \$250,000 and the Gas Fund had \$300,000 of certificates of deposit (Cash Equivalents), which met the requirements to be cash equivalents. Cash investments not meeting the definition of cash equivalents at June 30, 2015 were included in the "certificates of deposit" account assets.

Accounts Receivable – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided. Accounts receivable represents money owed to the Utilities, primarily for utility sales, which were not paid to the Utilities as of June 30, 2015.

Due from and Due to Other Utility Funds/Advances to and Advances from Other Utility Funds – During the course of its operations, the Utilities has numerous transactions between utility funds. The Utilities Board of Trustees has also approved some interfund loans between utility funds. To the extent certain transactions and the loans between

funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Government (Related Party) – Due from other government (related party) represents amounts due from the City of Rock Rapids for charges for sales and services provided.

Due from Other Governments – Due from other governments represents amounts due from other governments for charges for sales and services provided, and eligible costs that have been incurred for the FEMA Disaster Grant (June 2014 flooding) and the Hazard Mitigation Grant Program.

Inventories – Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed or sold rather than when purchased.

Prepaid Expenses – Prepaid expenses represents insurance premiums and other expense payments that will benefit a future fiscal year. Prepayments are recorded as expenses when utilized rather than when paid for.

Restricted Cash – (Checking) – Funds set aside for deposits held by the Utilities (customer deposits restricted for application to unpaid customer accounts or for refund to customers) and per Federal EPA requirements (depreciation reserves – provide cash for repair and replacement of equipment, including the eventual replacement of the entire wastewater treatment plant).

Capital Assets – Capital assets, which include land; utility system buildings, lines, related equipment improvements; transportation equipment; office equipment; tools and safety devices; communication equipment; meter testing equipment; and intangibles are reported in the business type activities column in the government-wide Statement of Net Position and in the appropriate Enterprise Fund column in the Proprietary Funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets acquired prior to July 1, 2004, are defined by the Utilities as assets with initial, individual costs in excess of \$500 and estimated useful lives in excess of two years. Reportable capital assets acquired after June 30, 2004, are defined by the Utilities as assets with initial, individual costs in excess of the following thresholds and have estimated useful lives in excess of two years.

Asset Class	Amount
Land, Utility Plant	\$10,000
Equipment, Tools and Safety Devices	\$ 5,000
Intangibles	\$20,000

Capital assets of the Utilities are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Utility Plant	5 – 50 years
Transportation Equipment	5 years
Office Equipment	5 – 10 years
Tools and Safety Devices	5 – 10 years
Communication Equipment	5 – 10 years
Meter Testing Equipment	5 – 7 years
Intangibles	5 – 50 years

Construction projects that have not been completed as of June 30, 2015, are reported as “Construction Work in Progress” on the Statement of Net Position.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Accounts Payable – Accounts payable represent amounts owed for services performed or purchases made by June 30, 2015, but not paid as of June 30, 2015.

Due to Other Government (Related Party)/Due to Other Governments – These accounts represent state sales and use taxes, garbage and recycling collections, and payments for services and reimbursements that are due to be remitted to other governments and the City of Rock Rapids as of June 30, 2015.

Accrued Vacation/Comp Time Pay – The Utilities’ personnel policy provides full-time employees with vacation pay and one employee is eligible for comp time pay. Vacation/comp time expenses for employees are charged to operations when earned by the employees in the Government-Wide and Proprietary Funds financial statements. At termination, an employee is paid for accumulated vacation/comp time. The amount recorded in the accounts for vacation/comp time pay aggregated to \$66,523 at June 30, 2015 (computed based on rates of pay in effect at June 30, 2015). This liability has been presented as a current liability in the financial statements as this liability is expected to be paid within a year.

Advances from Customers – Amounts received on customer accounts before being billed are recorded in the “advances from customers” account. Revenue is reported in the period in which it is realized or realizable and earned; therefore, when payments on accounts are received in advance of being earned, the amount applicable to future periods is deferred to future periods. The amount unearned is considered a liability because it represents an obligation to perform a service in the future arising from a past transaction.

Accrued Sick Leave Pay – The Utilities’ personnel policy provides full-time employees with sick leave in varying amounts. Sick leave pay expenses for non-vested employees are charged to operations when taken by the employee. Sick leave pay expenses for vested employees are charged to operations when earned by the employee in the Government-Wide and Proprietary Funds financial statements.



An employee who has been employed by the Utilities for over ten years, but less than fifteen years, and terminates employment due to retirement or death is entitled to 15% of unused accumulated allowable sick leave benefits. An employee who has been employed by the Utilities for over fifteen years and terminates employment for any reason, other than dismissal, is entitled to 15% of accumulated allowable sick leave. As of June 30, 2015, employees' vested sick leave benefits aggregated \$35,964 (computed based on rates of pay in effect at June 30, 2015).

This liability is recorded in the Government-Wide and Proprietary Fund financial statements as a long-term liability as this liability is not expected to be payable within a year.

Pensions - For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Balance: Restricted – In the Governmental Fund financial statements, the restricted fund balance is reported for amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation. The amount in the Revolving Loan Fund is to be used for low interest loans to qualifying businesses.

**Net Position: Restricted** – In the Proprietary Fund financial statements, restricted net position is reported for amounts legally restricted by outside parties for use for a specific purpose. The amount of net position restricted at June 30, 2015 is computed as follows:

	Electric Utility Fund	Water Utility Fund	Sewer Utility Fund	Gas Utility Fund	Total
Total Restricted Cash	\$ 21,072	6,535	28,849	24,648	81,104
Deposits Payable	(21,072)	(6,535)	0	(24,648)	(52,255)
Net Assets: Restricted (June 30, 2015)	\$ 0	0	28,849	0	28,849

The restricted net assets in the Sewer Utility Fund are for required depreciation reserves per Federal EPA requirements.

**Net Position: Net Investment in Capital Assets** – The “Net Investment in Capital Assets” is reported in the Government-Wide Statement of Net Position as \$11,041,025 and the “Net Investment in Capital Assets” in the Proprietary Funds Statement of Net Position as \$9,601,063. The \$1,439,962 difference is due to the removal of the capital related debt (debt attributable to the acquisition, construction or improvement of capital assets) owed by the Sewer and Water Utilities to the Gas Utility. The effects of these interfund loans were removed from the Government-Wide Statement of Net Position as only external debt is reflected/affects the “Net Investment in Capital Assets”.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The Rock Rapids Municipal Utilities is budgeted as a part of the City of Rock Rapids. The budgetary comparison is prepared by making memorandum adjusting entries to the accrual basis financial records to convert the records to the cash basis (the basis upon which the adopted budget is prepared). During the fiscal year ended June 30, 2015, the Utilities had the City of Rock Rapids adopt one budget amendment to increase budgeted disbursements by \$1,630,000. As a result, disbursements in the business type/enterprise activities function did not exceed the amended amount budgeted for the Utilities.

#### **(2) Cash (Checking/Money Market) and Investments (Certificates of Deposit)**

The Utilities’ deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utilities is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utilities Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No 3, as amended by Statement No. 40.

**Board Designated Reserves** – The Utilities Board has designated money to be set aside in Proprietary Funds as reserves for economic development, depreciation, and the Lewis & Clark project sinking fund. The money designated for these purposes is included in the unrestricted (current assets) cash balances as of June 30, 2015 as there is no legal responsibility that these amounts be used for these purposes. The amount of the Board designated reserves in Proprietary Funds on June 30, 2015, is as follows:

	Economic Development Reserves	Depreciation Reserves	Lewis & Clark Project Sinking Fund Reserve	Total
Electric Utility Fund	\$ 24,878	138,550	0	163,428
Water Utility Fund	4,957	17,000	0	21,957
Gas Utility Fund	28,036	0	100,358	128,394
Total	\$ 57,871	155,550	100,358	313,779

### **(3) Due from and Due to Other Utility Funds/Advance to and Advance from Other Utility Funds**

On January 27, 2006, the Gas Utility Fund loaned \$400,000 to the Water Utility Fund to assist with the payment of Lewis & Clark project membership costs. The loan carries a 4.4205 annual percentage interest rate, annual payments are scheduled at \$35,409 and final maturity date is January 27, 2022. During the fiscal year ended June 30, 2015, the Water Utility Fund paid the Gas Utility Fund \$25,052 in principal and \$10,357 in interest on this loan. The June 30, 2015 balance on this loan was \$209,234.

A summary of the annual principal and interest requirements on this loan to maturity by year(s) is as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 26,159	9,250	35,409
2017	27,294	8,115	35,409
2018	28,522	6,887	35,409
2019	29,783	5,626	35,409
2020	31,100	4,309	35,409
2021-2022	66,376	4,441	70,817
Total	\$ 209,234	38,628	247,862

On March 28, 2007, the Gas Utility Fund loaned an additional \$390,257 to the Water Utility Fund to assist with the payment of additional Lewis & Clark project membership costs. The loan carries a 4.4205 annual percentage interest rate, annual payments are scheduled at \$34,548 and final maturity date is March 28, 2023. During the fiscal year ended June 30, 2015, the Water Utility Fund paid the Gas Utility Fund \$23,409 in principal and \$11,139 in interest on this loan. The June 30, 2015 balance on this loan was \$228,579.

A summary of the annual principal and interest requirements on this loan to maturity by year(s) is as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 24,416	10,132	34,548
2017	25,523	9,025	34,548
2018	26,651	7,897	34,548
2019	27,830	6,718	34,548
2020	29,045	5,503	34,548
2021-2023	95,114	8,530	103,644
Total	\$ 228,579	47,805	276,384

On April 1, 2012, the Gas Utility Fund loaned an additional \$625,000 to the Water Utility Fund to assist with costs related to the gravity filter rehabilitation project. The loan carries a 4.33 annual percentage interest rate, annual payments are scheduled at \$47,353 and final maturity date is April 1, 2032. During the fiscal year ended June 30, 2015, the Water Utility Fund paid the Gas Utility Fund \$22,085 in principal and \$25,267 in interest on this loan. The June 30, 2015 balance on this loan was \$561,456.

A summary of the annual principal and interest requirements on this loan to maturity by year(s) is as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 22,975	24,378	47,353
2017	24,037	23,316	47,353
2018	25,077	22,276	47,353
2019	26,163	21,190	47,353
2020	27,241	20,112	47,353
2021-2025	155,210	81,553	236,763
2026-2030	191,867	44,896	236,763
2031-2032	88,886	5,819	94,705
Total	\$ 561,456	243,540	804,996

On November 1, 2013, the Gas Utility Fund loaned \$450,000 to the Water Utility Fund to assist with costs related to the painting of the east water tower. The loan carries a 4.33 monthly percentage interest rate, annual payments are scheduled at \$33,669 and final maturity date is November 1, 2033. During the fiscal year ended June 30, 2015, the Water Utility Fund paid the Gas Utility Fund \$14,839 in principal and \$18,830 in interest on this loan. The June 30, 2015 balance on this loan was \$426,797.

A summary of the annual principal and interest requirements on this loan to maturity by year(s) is as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 15,494	18,175	33,669
2017	16,178	17,491	33,669
2018	16,893	16,776	33,669
2019	17,639	16,030	33,669
2020	18,418	15,251	33,669
2021-2025	105,039	63,306	168,345
2026-2030	130,379	37,966	168,345
2031-2034	106,757	8,290	115,047
Total	\$ 426,797	193,285	620,082

On March 27, 2006, the Gas Utility Fund loaned \$150,000 to the Sewer Utility Fund for utility plant capital asset costs. The loan carries a 4.7754 annual percentage interest rate, monthly payments are scheduled at \$1,575 and final maturity date is March 27, 2016. During the fiscal year ended June 30, 2015, the Sewer Utility Fund paid the Gas Utility Fund \$17,773 in principal and \$1,127 in interest on this loan. The June 30, 2015, balance on this loan was \$13,896.

A summary of the annual principal and interest requirements on this loan to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 13,896	279	14,175

The balances in the "Due From and Due to Other Utility Funds" and "Advance To and Advance From Other Utility Funds" are for the aforementioned loans between funds and accrued interest on these loans and amounts owed for utility services provided as follows:

Assets	Receivable Utility			
	Electric	Water	Sewer	Gas
Due From/For:				
Loan (Current Portion)	\$ 0	0	0	102,941
Accrued Interest on Loans	0	0	0	14,085
Total Due From/To	0	0	0	117,026
Advances To:				
Loan (Noncurrent Portion)	0	0	0	1,337,021
Totals	\$ 0	0	0	1,454,047

Liabilities	Payable Utility			
	Electric	Water	Sewer	Gas
Due To/For:				
Loan (Current Portion)	\$ 0	89,045	13,896	0
Accrued Interest on Loans	0	14,085	0	0
Total Due From/To	0	103,130	13,896	0
Advances From:				
Loan (Noncurrent Portion)	0	1,337,021	0	0
Totals	\$ 0	1,440,151	13,896	0

#### **(4) Notes Receivable - Rock Rapids Development Corporation**

On September 28, 2009, the Rock Rapids Municipal Utilities loaned \$140,000 from the Gas Fund to the Rock Rapids Development Corporation to be used toward the purchase of approximately 28 acres of real estate in Rock Rapids, Iowa for development purposes. This promissory draw note loan earns interest at a rate of 2.5% per annum (accrued interest is to be paid annually with interest computed through December 31<sup>st</sup> of each year) and is secured by a real estate mortgage on the 28 acres of real estate purchased through the aforementioned loan funds.

The Rock Rapids Development Corporation is to pay all principal and unpaid interest due per this promissory draw note no later than thirty days after written demand for such payment by the Rock Rapids Municipal Utilities, provided, however, that the entire amount of loan outstanding and any unpaid interest shall be paid no later than twenty years after September 28, 2010, and provided further, however, that upon the sale of any part or all of the 28 acres, the Rock Rapids Development Corporation shall repay that percentage of such net sale proceeds from the sale, which are equivalent to the percentage of acres sold from the original 28 acres purchased from the proceeds of this loan. If the Rock Rapids Development Corporation sells all 28 acres, the Rock Rapids Development Corporation shall repay the Rock Rapids Municipal Utilities all unpaid principal and interest no later than 30 days after final closing on such sale.

On June 29, 2011, the Rock Rapids Municipal Utilities loaned \$75,000 from the Gas Fund to the Rock Rapids Development Corporation to be used toward the purchase of a 5 acre parcel of real estate. This promissory draw note loan earns interest at a rate of 3.1% per annum (accrued interest is to be paid annually with interest computed through June 30<sup>th</sup> of each year) and is secured by a real estate mortgage on the 5 acre parcel of real estate noted above.

This promissory note shall be for a period of ten years with interest only payable annually. The Rock Rapids Development Corporation shall have the right to make additional principal payments at any time. However, upon the sale, gift, or transfer in any way of any part of all of the five acres, the Rock Rapids Development Corporation shall be required to pay to the Rock Rapids Municipal Utilities \$15,000 per acre transferred. The Rock Rapids Development Corporation shall pay this amount to the Rock Rapids Municipal Utilities no later than 30 days after any transfer of real estate.

In July 2011, the Rock Rapids Development Corporation sold approximately 1.717 acres of the 5 acres parcel of real estate. Based on an amendment to the agreement between the Utilities and the Rock Rapids Development Corporation, the Utilities allowed the \$25,751 in proceeds from the land sold to be paid in installments and the Rock Rapids Development Corporation agreed to continue paying 3.1 percent on any outstanding loan balance. During fiscal year '11/12, the Utilities received \$11,447 in principal on this note, during fiscal year '13/'14 the Utilities received \$6,000 in principal on this note, and during fiscal year '14/'15, the Utilities received \$6,000 in principal on this note. The remaining outstanding note receivable balance of \$2,304, along with interest, is to be repaid by July 1, 2016.

During fiscal year ended June 30, 2015, the \$140,000 note receivable generated \$3,500 in interest income for the Gas Utility Fund and the original \$75,000 note receivable generated \$1,598 in interest income for the Gas Utility Fund. On June 30, 2015, the balance on the notes receivable

from the Rock Rapids Development Corporation totaled \$191,553 (\$140,000 and \$51,553, respectively) with \$2,304 being reported as a "Current Asset" and \$189,249 being reported as an "Other Asset" in the Gas Utility Fund.

**(5) Notes Receivable – Rock Rapids Businesses/RRADF**

In July 2011, the Utilities complied with all the requirements under the Rural Economic Development Grant Agreement Program in order to be awarded a grant in the amount of \$300,000, along with a \$60,000 operating transfer in from the Gas Utility Fund, to assist in the establishing of a Revolving Loan Fund (presented as a governmental-Special Revenue Fund).

The Utilities loaned from the Revolving Loan Fund \$360,000 to the Rock Rapids Community Affairs Corporation ("CAC") at a 0% interest rate. In August 2011, the CAC sold the commercial spec building to a businessman and subsequently assigned the contract and the collateral of the real estate to the Utilities. Payment on the note is based on a 0% interest rate (as awarded by the Revolving Loan Fund Program) with \$3,000/month in principal due until the loan is paid in full.

In May 2015, the Gas Utility Fund transferred \$60,000 to the Revolving Loan Fund, in anticipation of receiving in fiscal year 2015/2016, a Development Grant Agreement Program grant award in the amount of \$300,000. On May 28, 2015, the Rock Rapids Municipal Utilities approved loaning the Rock Rapids Area Development Foundation (RRADF) \$360,000 (\$60,000 in May 2015 and \$300,000 upon receipt of the Rural Economic Development Grant). The note receivable carries a 0% interest rate; is to be collateralized by the real estate and commercial spec building that will be purchased and remodeled with the loan proceeds; and payback is \$36,000 due annually for 10 years, starting on January 1, 2017.

During fiscal year 2014/2015, the Utilities received \$36,000 in principal payments on the original note receivable issued. As of June 30, 2015, the outstanding notes receivable balance in total was \$282,000. The amount due in fiscal year 2015/2016 of \$36,000 is being reported as a "Current Asset" and the remaining amount of \$246,000 is being reported as an "Other Asset" in the Revolving Loan Fund.

**(6) Note Receivable – Housing Development Incentive Program**

In April 2013, the Rock Rapids Municipal Utilities Board of Trustees approved the establishment of a "Housing Development Incentive Program." This program provides for forgivable loans in the amount of \$5,000 per platted residential lot with the program available to developers of a minimum of six lots with infrastructure (including street, storm sewer, water main, etc.). The terms of the forgivable loans are that interest is to be paid annually at the established interest rate, the Utilities will receive a second mortgage to the developer's primary lender and, if there is a balance due after 15 years from the date of the loan, the remaining balance and any accrued interest will become due immediately. The loans will be forgiven in the amount of \$5,000 per lot when a lot is sold, the deed to the purchaser is recorded and accrued interest is paid up to the date of the recording of the deed. When 75% of the approved lots are sold and deeds are filed/recorded, accrued interest becomes due and once paid, the remaining loan balance will be forgiven.

In May 2013, the Utilities loaned a company \$65,000 and in December 2013, the Utilities loaned an entity \$55,000 as forgivable loans under this program for the development of a subdivision with 13 residential lots and another subdivision with 11 residential lots. During the fiscal year ended June 30, 2014, \$45,000 of the notes receivable balance was forgiven by the Utilities, which left a June 30, 2014 balance of \$75,000.

In July 2014, the Utilities loaned an entity \$90,000 under this program for the development of a subdivision consisting of 18 lots. Each loan carries a 4% interest rate with interest due annually. During the fiscal year ended June 30, 2015, \$52,500 of the notes receivable balance on the three different loans was forgiven by the Utilities and these notes generated \$5,173 in interest income for the Utilities. As of June 30, 2015, the remaining \$112,500 balance (\$22,500; \$20,000; and \$70,000, respectively) is reported as an "Other Asset" in the Gas Utility Fund.

#### **(7) Notes Receivable – Rock Rapids Kids Club**

On June 30, 2015, the Rock Rapids Municipal Utilities loaned \$500,000 from the Electric Utility Fund to Rock Rapids Kids Club, Inc. to be used toward the construction of a new daycare center in Rock Rapids, Iowa. This promissory note earns interest at a rate of 3% per annum (principal and accrued interest of \$37,500 is to be paid semi-annually from January 1, 2016 through January 1, 2023) and is secured by assets of the Rock Rapids Kids Club including real estate. Principal and interest not paid when due shall draw interest at the rate of 5% per annum. Additionally the Rock Rapids Kids Club has assigned all right, title, and interest to its Lyon County Riverboat Foundation grant award of 20 equal semi-annual installments of \$37,500 until the \$500,000 note is satisfied.

As of June 30, 2015, the outstanding note receivable balance was \$500,000. The principal amount due in fiscal year 2015/2016 of \$29,979 is being reported as a "Current Asset" and the remaining amount of \$470,021 is being reported as an "Other Asset" in the Electric Utility Fund.

#### **(8) Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business Type Activities:</b>				
<b>Capital Assets Not Being Depreciated/Amortized:</b>				
Land	\$ 179,087	0	0	179,087
Construction Work in Progress	512,446	353,272	( 691,090)	174,628
Total Capital Assets Not Being Depreciated/Amortized	691,533	353,272	( 691,090)	353,715
<b>Capital Assets Being Depreciated/Amortized:</b>				
Utility Plant	18,762,926	616,428	0	19,379,354
Transportation Equipment	298,873	52,370	( 14,604)	336,639
Office Equipment	36,536	0	0	36,536
Tools and Safety Devices	239,826	90,683	( 30,200)	300,309
Communication Equipment	6,949	0	0	6,949



Meter Testing Equipment	21,903	0	0	21,903
Intangibles	1,087,634	39,430	0	1,127,064
Total Capital Assets Being Depreciated/Amortized	20,454,647	798,911	( 44,804)	21,208,754
Less Accumulated Depreciation/Amortization For:				
Utility Plant	9,546,790	365,156	0	9,911,946
Transportation Equipment	220,796	27,418	( 14,604)	233,610
Office Equipment	24,546	4,170	0	28,716
Tools and Safety Devices	222,282	13,089	( 30,200)	205,171
Communication Equipment	6,951	0	0	6,951
Meter Testing Equipment	21,903	0	0	21,903
Intangibles	87,453	25,694	0	113,147
Total Accumulated Depreciation/Amortization	10,130,721	435,527	( 44,804)	10,521,444
Total Capital Assets Being Depreciated/Amortized, Net	10,323,926	363,382	0	10,687,310
Business Type Activities Capital Assets, Net	\$11,015,459	716,656	( 691,090)	11,041,025

Depreciation/amortization expense was charged to the different Utilities as follows:

Business Type Activities:

Electric Utility	\$ 198,862
Water Utility	146,927
Sewer Utility	47,879
Gas Utility	41,859
Total Depreciation/Amortization Expense – Business Type Activities	<u>\$ 435,527</u>

Intangible (Lewis & Clark Project Membership); Utility Plant (Lewis & Clark Member Specific Costs)

On June 27, 2002, the Rock Rapids Municipal Utilities entered into an agreement with the Lewis and Clark Regional Water System, Inc. to become a member in Lewis & Clark Regional Water System, Inc. On December 22, 2005, the Rock Rapids Municipal Utilities entered into an amended and restated commitment agreement with the Lewis & Clark Regional Water System, Inc. In the amended and restated commitment agreement, the Utilities agreed to pay the Utilities' allocated construction percentage of the base system costs (examples: administrative, overhead, engineering, financing, debt service, legal costs and fees) and related membership/lobbying fees.

In October 2011, the Utilities began to receive water through the Lewis and Clark system as the construction of the distribution system was substantially done and water was available through the system. At that time, the Utilities reclassified the membership costs from an "Other Asset" to a "Capital Asset" by capitalizing an "intangible asset" of \$1,053,589, which represents the total amount paid toward the cost of membership, which includes base system costs and related membership/lobbying fees. The "intangible asset" is being amortized over 50 years which represents the length of time the distribution system is guaranteed to be available to its members.

If the Rock Rapids Municipal Utilities would withdraw from membership in Lewis & Clark Regional Water System, Inc., the Utilities would forfeit all amounts paid to Lewis & Clark Regional Water System, Inc., whether in the form of membership fees, construction payments or amounts placed or on deposit in the "Maintenance and Repair Fund," the "Capital Improvement Fund" or the "Operating Reserve Fund."

The Rock Rapids Municipal Utilities agrees to purchase a minimum of 137,500 gallons of potable, treated water per day, on average, each month at the water rates and charges set by Lewis & Clark Regional Water System, Inc. The Utilities has also agreed to pay for the design and construction of service lines plus all other member specific costs. Member specific costs that meet the capitalization policy are included in the utility plant account in the Water Utility Fund.

#### (9) Long-Term Liabilities

A summary of changes in long-term liabilities, other than "Advances From Other Utility Fund", for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
Business Type Activities:				
Accrued Sick Leave Pay	\$ 34,777	4,788	3,601	35,964
Net Pension Liability	482,343	0	137,245	345,098
Total	\$ 517,120	4,788	140,846	381,062

#### (10) Due to Other Governments and Due to Other Governments – Related Party

The Utilities purchases services from other governmental units, pays required fees to regulatory entities, remits sales and use tax to the State of Iowa, reimburses the City of Rock Rapids for expenses/project costs, and remits garbage and recycling collections to the City of Rock Rapids.

A summary of amounts due to other governments follows:

Fund	Description	Amount
Electric Utility	State Sales and Use Tax	\$ 5,948
Water Utility	State Sales and Use Tax	2,163
Sewer Utility	State Sales and Use Tax	308
Gas Utility	State Sales and Use Tax	958
Total		<u>\$ 9,377</u>

A summary of amounts due to other governments-related party (City of Rock Rapids) follows:

Fund	Description	Amount
Electric Utility	Legal Fees Reimbursement	\$ 175
Water Utility	Legal Fees Reimbursement	100
Sewer Utility	Legal Fees Reimbursement	50
Gas Utility	Legal Fees Reimbursement/Garbage & Recycling Collections	18,508
Total		<u>\$ 18,833</u>

**(11) Hazard Mitigation Grant Program - “Special Item”; FEMA Disaster Grant (Flooding) – “Extraordinary Item”**

The Rock Rapids Municipal Utilities was awarded a Hazard Mitigation Grant to be used toward an approved waste water basin project in the Sewer Utility Fund. The waste water basin project started in fiscal year 2013/2014 and as of June 30, 2015 was still in process. The Hazard Mitigation Grant Program revenue amounted to \$53,340 in fiscal year 2014/2015.

The Rock Rapids Municipal Utilities was awarded as a recipient of FEMA Disaster Grant funding for costs related to severe flooding which took place in June 2014. Revenue for this grant was recognized as costs were incurred to restore buildings, equipment, materials, etc., to pre-flood conditions. For the fiscal year ended June 30, 2015, the Utilities reported \$207,966 in FEMA Disaster Grant (Flood) income. Due to the rarity of this extreme, devastating flood, this income is being recorded as an extraordinary item.

**(12) Interfund Transfer**

The detail of the only interfund transfer for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Revolving Loan Fund	Gas Utility Fund	<u>\$ 60,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Utilities used this transfer to provide their matching portion of a grant application in order to be eligible for \$300,000 in “Rural Economic Development Grant” funding.

**(13) Pension Plan**

Plan Description. IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of the Utilities are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

**Pension Benefits** – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits** - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Contributions** - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize

the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Utilities contributed 8.93 percent for a total rate of 14.88 percent.

The Utilities' total contributions to IPERS for the year ended June 30, 2015 were \$53,195.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Utilities reported a liability of \$345,098 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utilities' collective proportion was .008527 percent which was an increase of .000008 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Utilities recognized pension expense of \$25,909. At June 30, 2015, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,751	\$ 0
Changes of assumptions	15,230	0
Net difference between projected and actual earnings on pension plan investments	0	131,611
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	324	0
Utilities contributions subsequent to the measurement date	53,195	0
Total	<u>\$ 72,500</u>	<u>\$ 131,611</u>

\$53,195 reported as deferred outflows of resources related to pensions resulting from the Utilities contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ (28,392)
2017	(28,392)
2018	(28,392)
2019	(28,392)
2020	1,263
Total	<u>\$ (112,305)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term Investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the

long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Utilities' proportionate share of the net pension liability:	\$ 652,047	345,098	85,995

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the Utilities did not have amounts payable to the defined benefit pension plan for legally required employer contributions or employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

#### **(14) Major Customer**

Lyon and Sioux Rural Water System, Inc. is a major customer of the Water Utility. Water sales to Lyon and Sioux Rural Water System, Inc., amounted to \$454,431 or 57.8% of the total operating water revenues for the fiscal year ended June 30, 2015.

#### **(15) Risk Management**

The Rock Rapids Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utilities assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(16) Employee Health Insurance Coverage**

The Rock Rapids Municipal Utilities provided group health insurance coverage for eligible employees throughout the fiscal year ended June 30, 2015. Under the plan, through Sanford Health, the deductible for family coverage is \$3,000, while the deductible for individual coverage is \$1,500. The Utilities agreed to pay the remaining amount of the deductible after the employee pays the first \$500 in deductible for single plans and the first \$1,000 of the deductible for family coverage.

## **(17) Commitment**

In May 2015, the Utilities finalized a proposal to extend a line of credit loan in the amount of \$1,000,000 to the Rock Rapids Area Development Foundation for the purpose of funding the Rock Rapids Housing Initiative and related housing development projects in Rock Rapids (deemed necessary due to the devastation caused by the June 2014 flooding). The line of credit carries a 2% per annum interest rate and is secured by an "Irrevocable Letter of Credit" in the full amount issued by Frontier Bank. The maturity date for this note receivable is December 31, 2016.

## **(18) Subsequent Events**

In July 2015, the Utilities approved a draw of \$350,000 against the note approved in May 2015 from the Gas Utility Fund to the Rock Rapids Development Foundation for housing projects. The loan, as previously noted, carries an interest rate of 2% and matures on December 31, 2016.

In August 2015, the Board of Trustees approved payment of \$50,552 in total from the Water and Sewer Funds for finalization of a construction contract related to the 2014 Flood Restoration Project.

In August 2015, the Board of Trustees approved the purchase of a vacuum excavator for \$58,031 to be paid from the Electric, Gas, and Water Utility Funds.

In August 2015, the Board of Trustees approved a contract for \$1,003,059 (approved change orders related to adjustments in bid quantities for excavation, embankment and borrow site excavation and hauling have decreased the contract price to \$839,696) for a wastewater flow equalization improvements project (Hazard Mitigation Project). The project is in process and total payments to date have totaled \$611,364 from the Sewer Fund.

In December 2015, the Utilities approved a 1 year loan of \$400,000 from the Gas Fund to the Sewer Fund. The loan carries an interest rate of 1% and matures on December 1, 2016.

In December 2015, the Utilities approved a 1 year loan of \$100,000 from the Gas Fund to the Sewer Fund. The loan carries an interest rate of 1% and matures on December 1, 2016.

## **(19) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **(20) Accounting Change/Restatement**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented for the fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68



requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Business Type Activities				
	Electric	Water	Sewer	Gas	Total
Net Position June 30, 2014, as Previously Reported	\$ 6,738,358	3,157,395	1,071,308	4,871,608	15,838,669
Net pension liability at June 30, 2014	(192,937)	(96,469)	(72,352)	(120,586)	(482,344)
Change in Outflows of Resources Related to Contributions Made After the June 30, 2013 Measurement Date	20,339	10,169	7,627	12,712	50,847
Net Position July 1, 2014, as Restated	\$ 6,565,760	3,071,095	1,006,583	4,763,734	15,407,172

In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Required Supplementary Information**

**Rock Rapids Municipal Utilities**  
**A Component Unit of the City of Rock Rapids**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) - Governmental Fund and Proprietary Funds**

**Required Supplementary Information**

**For the Fiscal Year Ended June 30, 2015**

	Governmental Fund Actual	Proprietary Funds Actual	Total Actual	Adopted Budgeted Amounts		Amended to Actual Variance
				Original	Amended	
<b>Receipts:</b>						
Use of Money and Property	\$ 492	112,488	112,980	0	0	112,980
Intergovernmental	0	187,449	187,449	0	0	187,449
Charges for Service:						
Electric Utility	0	2,213,001	2,213,001	2,277,934	2,277,934	(64,933)
Water Utility	0	810,704	810,704	724,470	724,470	86,234
Sewer Utility	0	266,486	266,486	253,396	253,396	13,090
Gas Utility	0	1,180,760	1,180,760	1,421,506	1,421,506	(240,746)
Miscellaneous	36,000	28,169	64,169	0	0	64,169
<b>Total Receipts</b>	<b>36,492</b>	<b>4,799,057</b>	<b>4,835,549</b>	<b>4,677,306</b>	<b>4,677,306</b>	<b>158,243</b>
<b>Disbursements:</b>						
Business Type Activities:						
Electric Utility	0	2,792,831	2,792,831	2,381,058	3,781,058	988,227
Water Utility	0	616,898	616,898	724,969	724,969	108,071
Sewer Utility	0	368,057	368,057	271,000	401,000	32,943
Gas Utility	0	1,238,053	1,238,053	1,466,700	1,466,700	228,647
Other Activities (Revolving Loans to Businesses)	60,000	0	60,000	0	100,000	40,000
<b>Total Disbursements (Business Type Activities)</b>	<b>60,000</b>	<b>5,015,839</b>	<b>5,075,839</b>	<b>4,843,727</b>	<b>6,473,727</b>	<b>1,397,888</b>

<b>Deficiency of Receipts Under Disbursements</b>	(23,508)	(216,782)	(240,290)	(166,421)	(1,796,421)	1,556,131
<b>Other Financing Sources (Uses)</b>	60,000	(30,610)	29,390	0	0	29,390
<b>Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	36,492	(247,392)	(210,900)	(166,421)	(1,796,421)	1,585,521
<b>Cash and Certificates of Deposit (Unrestricted and Restricted) – Balances Beginning of Year</b>	102,393	4,230,049	4,332,442	4,193,303	4,193,303	139,139
<b>Cash and Certificates of Deposit (Unrestricted and Restricted) – Balances End of Year</b>	\$ 138,885	3,982,657	4,121,542	4,026,882	2,396,882	1,724,660

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities**  
**A Component Unit of the City of Rock Rapids**

**Budget to GAAP Reconciliation**

**Required Supplementary Information**

**For the Fiscal Year Ended June 30, 2015**

	<b>Governmental Fund</b>			<b>Proprietary Funds</b>		
	<b>Special Revenue</b>			<b>Enterprise</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
<b>Receipts/Revenues/Special Item/ Extraordinary Item</b>	\$ 36,492	(36,000)	492	4,799,057	(36,452)	4,762,605
<b>Disbursements/Expenses</b>	60,000	(60,000)	0	5,015,839	(711,554)	4,304,285
<b>Net</b>	(23,508)	24,000	492	(216,782)	675,102	458,320
<b>Other Financing Sources (Use)</b>	60,000	0	60,000	(30,610)	(29,390)	(60,000)
<b>Beginning Fund Balance/Net Position (Before Change/Restatement to the Beginning Net Position)</b>	102,393	258,000	360,393	4,230,049	11,608,620	15,838,669
<b>GASB No. 68 &amp; 71 - Accounting Change/Restatement</b>	0	0	0	0	(431,497)	(431,497)
<b>Ending Fund Balance/Net Position</b>	\$ 138,885	282,000	420,885	3,982,657	11,822,835	15,805,492

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities**  
**A Component Unit of the City of Rock Rapids**

**Notes to Required Supplementary Information – Budgetary Reporting**

**For the Fiscal Year Ended June 30, 2015**

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the major Special Revenue Fund and each major Proprietary (Enterprise) Fund.

In accordance with the Code of Iowa, the Utilities Board of Trustees annually approves a budget on the cash basis of accounting. The Utilities Board of Trustees submits the approved budget to the Rock Rapids City Council. The cash basis budget is adopted by the Rock Rapids City Council following required public notice and hearing for all funds. The Utilities budget is included as part of the City of Rock Rapids budget. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances and accruals are not recognized on the cash basis budget and appropriations lapse at year end.

The Utilities budgeted all its receipts under the “charges for service” classification. Actual receipts primarily came from this receipt classification; however, the Utilities did also have receipts come from the “use of money and property,” “intergovernmental” and “miscellaneous” receipts classifications. Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the Utilities’ Special Revenue Fund and the Enterprise Funds. All Utility disbursements are included in the business type/enterprises activities function classification on the City’s adopted budget. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the fiscal year, the Utilities did have the City of Rock Rapids adopt one budget amendment to increase budgeted disbursements by \$1,630,000.

During the fiscal year ended June 30, 2015, disbursements in the business type/enterprise activities function did not exceed the amended amount budgeted for the Utilities.

**Rock Rapids Municipal Utilities**  
**A Component Unit of the City of Rock Rapids**

**Schedule of the Utilities' Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System**  
**Last Fiscal Year\***

**Required Supplementary Information**

	<u>2015</u>
Utilities' Proportion of the Net Pension Liability	0.008527%
Utilities' Proportionate Share of the Net Pension Liability	\$ 345,098
Utilities' Covered-Employee Payroll	\$ 569,396
Utilities' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	60.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%

\* The amounts presented for this fiscal year were determined as of June 30.

**Rock Rapids Municipal Utilities**  
**A Component Unit of the City of Rock Rapids**

**Schedule of Utilities Contributions**

**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years**

**Required Supplementary Information**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily Required Contribution	\$ 53,195	50,847	47,770	43,859	38,410	35,491	33,462	30,720	28,370	27,316
Contributions in Relation to the Statutorily Required Contribution	(53,195)	(50,847)	(47,770)	(43,859)	(38,410)	(35,491)	(33,462)	(30,720)	(28,370)	(27,316)
Contribution Deficiency (Excess)	\$ 0	0	0	0	0	0	0	0	0	0
Utilities' Covered Employee Payroll	\$ 595,689	569,396	550,975	543,483	552,668	533,699	526,967	507,770	493,388	475,053
Contributions as a Percentage of Covered Employee Payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See Accompanying Independent Auditor's Report.



**Rock Rapids Municipal Utilities**  
**A Component Unit of the City of Rock Rapids**

**Notes to Required Supplementary Information – Pension Liability**

**Year ended June 30, 2015**

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

**Rock Rapids Municipal Utilities**  
**A Component Unit of the City of Rock Rapids**

**Notes to Required Supplementary Information – Pension Liability**

**Year ended June 30, 2015**

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids  
Supplementary Information**

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule 1**

**Electric Utility Fund**

**Comparative Statements of Net Position**

	June 30,		Amount of Change	Percentage of Change
	2015	2014 (*)		
<b>Assets</b>				
<b>Current Assets:</b>				
Cash (Checking)	\$ 33,407	262,719	(229,312)	(87%)
Certificates of Deposit (Cash Equivalent)	250,000	0	250,000	N/A
Certificates of Deposit	750,000	1,250,000	(500,000)	(40%)
Accounts Receivable	119,489	154,043	(34,554)	(22%)
Due From Other Government (Related Party)	3,446	13,788	(10,342)	(75%)
Due From Other Governments	28,037	24,025	4,012	17%
Interest Receivable	1,292	1,810	(518)	(29%)
Flex Spending Plan Receivable	669	0	669	N/A
Note Receivable - Rock Rapids Kids Club	29,979	0	29,979	N/A
Note Receivable - Housing Development Incentive Program	0	15,283	(15,283)	(100%)
Inventories	154,081	134,062	20,019	15%
Prepaid Expenses	25,114	26,404	(1,290)	(5%)
<b>Total Current Assets</b>	<b>1,395,514</b>	<b>1,882,134</b>	<b>(486,620)</b>	<b>(26%)</b>
<b>Restricted Cash (Checking):</b>				
Customer Deposits	21,072	24,858	(3,786)	(15%)
<b>Capital Assets:</b>				
Land	46,913	46,913	0	0%
Utility Plant	10,023,620	9,449,043	574,577	6%
Transportation Equipment	173,015	160,443	12,572	8%
Office Equipment	22,969	22,969	0	0%
Tools and Safety Devices	155,825	130,528	25,297	19%
Communication Equipment	5,943	5,943	0	0%
Meter Testing Equipment	16,235	16,235	0	0%
Intangibles	11,990	11,990	0	0%
Total Capital Assets (Before W.I.P)	10,456,510	9,844,064	612,446	6%
Less: Accumulated Depreciation/Amortization	(5,426,077)	(5,252,388)	(173,689)	3%
Capital Assets – Net (Before W.I.P)	5,030,433	4,591,676	438,757	10%
Construction Work in Progress	21,021	435,702	(414,681)	(95%)
<b>Net Capital Assets</b>	<b>5,051,454</b>	<b>5,027,378</b>	<b>24,076</b>	<b>0%</b>
<b>Other Asset:</b>				
Note Receivable - Rock Rapids Kids Club	470,021	0	470,021	N/A
<b>Total Assets</b>	<b>6,938,061</b>	<b>6,934,370</b>	<b>3,691</b>	<b>0%</b>
<b>Deferred Outflows of Resources</b>				
Pension Related Deferred Outflows	29,000	20,339	8,661	43%

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Electric Utility Fund**

**Comparative Statements of Net Position**

	<u>June 30,</u>		<u>Amount of</u>	<u>Percentage</u>
	<u>2015</u>	<u>2014 (*)</u>		
<u>Liabilities</u>				
<b>Current Liabilities (Payable From Current Assets):</b>				
Accounts Payable	51,473	51,339	134	0%
Due To Other Government (Related Party)	175	175	0	0%
Due To Other Governments	5,948	2,737	3,211	117%
Construction Contracts Payable	0	71,275	(71,275)	(100%)
Accrued Vacation/Comp Time Pay	25,094	25,257	(163)	(1%)
Flex Spending Plan Payable	0	502	(502)	(100%)
Accrued Payroll & Payroll Liabilities	7,716	7,025	691	10%
Advances from Customers	2,104	173	1,931	1116%
<b>Total Current Liabilities</b>	<b>92,510</b>	<b>158,483</b>	<b>(65,973)</b>	<b>(42%)</b>
<b>(Payable From Current Assets)</b>				
<b>Liabilities Payable From Restricted Cash (Checking):</b>				
Customer Deposits	21,072	24,858	(3,786)	(15%)
<b>Long-Term Liabilities:</b>				
Accrued Sick Leave Pay	13,019	12,671	348	3%
Net Pension Liability	138,039	192,937	(54,898)	(28%)
<b>Total Long-Term Liabilities</b>	<b>151,058</b>	<b>205,608</b>	<b>(54,550)</b>	<b>(27%)</b>
<b>Total Liabilities</b>	<b>264,640</b>	<b>388,949</b>	<b>(124,309)</b>	<b>(32%)</b>
<b><u>Deferred Inflows of Resources</u></b>				
Pension Related Deferred Inflows	52,644	0	52,644	N/A
<b><u>Net Position</u></b>				
Net Investment in Capital Assets	5,051,454	5,027,378	24,076	0%
Unrestricted	1,598,323	1,538,382	59,941	4%
<b>Total Net Position</b>	<b>\$ 6,649,777</b>	<b>6,565,760</b>	<b>84,017</b>	<b>1%</b>

(\*) See Note (20) to the Financial Statements - "Accounting Change/Restatement" for retroactive reported adjustments to the June 30, 2014 financial amounts which have been presented accordingly.

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule 2**

**Electric Utility Fund**

**Comparative Statements of Net Position**

	June 30,		Amount of Change	Percentage of Change
	2015	2013 (#)		
<b>Assets</b>				
<b>Current Assets:</b>				
Cash (Checking)	\$ 33,407	654,920	(621,513)	(95%)
Certificates of Deposit (Cash Equivalent)	250,000	0	250,000	N/A
Certificates of Deposit	750,000	575,000	175,000	30%
Accounts Receivable	119,489	138,278	(18,789)	(14%)
Due From Other Utility Funds	0	5,472	(5,472)	(100%)
Due From Other Government (Related Party)	3,446	4,125	(679)	(16%)
Due From Other Governments	28,037	288,397	(260,360)	(90%)
Interest Receivable	1,292	2,294	(1,002)	(44%)
Flex Spending Plan Receivable	669	0	669	N/A
Note Receivable - Rock Rapids Kids Club	29,979	0	29,979	N/A
Inventories	154,081	101,698	52,383	52%
Prepaid Expenses	25,114	28,856	(3,742)	(13%)
<b>Total Current Assets</b>	<b>1,395,514</b>	<b>1,799,040</b>	<b>(403,526)</b>	<b>(22%)</b>
<b>Restricted Cash (Checking):</b>				
Customer Deposits	21,072	23,429	(2,357)	(10%)
<b>Capital Assets:</b>				
Land	46,913	46,913	0	0%
Utility Plant	10,023,620	9,121,544	902,076	10%
Transportation Equipment	173,015	160,443	12,572	8%
Office Equipment	22,969	22,969	0	0%
Tools and Safety Devices	155,825	123,928	31,897	26%
Communication Equipment	5,943	5,943	0	0%
Meter Testing Equipment	16,235	16,235	0	0%
Intangibles	11,990	11,990	0	0%
Total Capital Assets (Before W.I.P)	10,456,510	9,509,965	946,545	10%
Less: Accumulated Depreciation/Amortization	(5,426,077)	(5,038,872)	(387,205)	8%
Capital Assets – Net (Before W.I.P)	5,030,433	4,471,093	559,340	13%
Construction Work in Progress	21,021	447,240	(426,219)	(95%)
<b>Net Capital Assets</b>	<b>5,051,454</b>	<b>4,918,333</b>	<b>133,121</b>	<b>3%</b>
<b>Other Assets:</b>				
Note Receivable - Housing Development Incentive Program	0	15,283	(15,283)	(100%)
Note Receivable - Rock Rapids Kids Club	470,021	0	470,021	N/A
<b>Total Other Assets</b>	<b>470,021</b>	<b>15,283</b>	<b>333,775</b>	<b>2,184%</b>
<b>Total Assets</b>	<b>6,938,061</b>	<b>6,756,085</b>	<b>181,976</b>	<b>3%</b>

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Electric Utility Fund**

**Comparative Statements of Net Position**

	<b>June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2013 (#)</b>		
<b><u>Deferred Outflows of Resources</u></b>				
Pension Related Deferred Outflows	29,000	0	29,000	N/A
<b><u>Liabilities</u></b>				
<b>Current Liabilities (Payable From Current Assets):</b>				
Accounts Payable	51,473	18,132	33,341	184%
Due To Other Utility Fund	0	197	(197)	(100%)
Due To Other Government (Related Party)	175	175	0	0%
Due To Other Governments	5,948	13,645	(7,697)	(56%)
Construction Contracts Payable	0	7,256	(7,256)	(100%)
Accrued Vacation/Comp Time Pay	25,094	19,903	5,191	26%
Flex Spending Plan Payable	0	1,212	(1,212)	(100%)
Accrued Payroll & Payroll Liabilities	7,716	6,055	1,661	27%
Advances from Customers	2,104	0	2,104	N/A
<b>Total Current Liabilities</b>	<b>92,510</b>	<b>66,575</b>	<b>25,935</b>	<b>39%</b>
<b>(Payable From Current Assets)</b>				
<b>Liabilities Payable From Restricted Cash (Checking):</b>				
Customer Deposits	21,072	23,429	(2,357)	(10%)
<b>Long-Term Liabilities:</b>				
Accrued Sick Leave Pay	13,019	12,382	637	5%
Net Pension Liability	138,039	0	138,039	N/A
<b>Total Long-Term Liabilities</b>	<b>151,058</b>	<b>12,382</b>	<b>138,676</b>	<b>1,120%</b>
<b>Total Liabilities</b>	<b>264,640</b>	<b>102,386</b>	<b>162,254</b>	<b>158%</b>
<b><u>Deferred Inflows of Resources</u></b>				
Pension Related Deferred Inflows	52,644	0	52,644	N/A
<b><u>Net Position</u></b>				
Net Investment in Capital Assets	5,051,454	4,918,333	133,121	3%
Unrestricted	1,598,323	1,735,366	(137,043)	(8%)
<b>Total Net Position</b>	<b>\$ 6,649,777</b>	<b>6,653,699</b>	<b>(3,922)</b>	<b>(0%)</b>

(#) As described in Note (20) to the Financial Statements - "Accounting Change/Restatement", the accounting adjustments resulting from the implementation of GASB No. 68 have not been retroactively applied to the June 30, 2013 financial amounts.

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule 3**

**Electric Utility Fund**

**Comparative Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>For the Fiscal Year Ended June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2014</b>		
<b>Operating Revenues:</b>				
Residential Sales	\$ 1,081,335	1,152,996	(71,661)	(6%)
Commercial Sales	1,045,847	1,063,181	(17,334)	(2%)
Public Street and Highway Lighting	14,035	14,473	(438)	(3%)
Wind Power – Residential and Commercial	456	456	0	0%
Material and Service Sales	20,078	30,806	(10,728)	(35%)
Service Income	4,217	2,537	1,680	66%
Service Income (Related Party)	4,132	4,132	0	0%
<b>Total Operating Revenues</b>	<b>2,170,100</b>	<b>2,268,581</b>	<b>(98,481)</b>	<b>(4%)</b>
<b>Operating Expenses:</b>				
Production/Processing Expense	1,269,146	1,439,709	(170,563)	(12%)
Distribution Expense	251,618	202,070	49,548	25%
Accounting and Collecting	27,143	26,676	467	2%
Administrative and General	184,843	200,753	(15,910)	(8%)
Transportation	4,030	6,284	(2,254)	(36%)
Depreciation	198,862	213,516	(14,654)	(7%)
Payroll Taxes/IPERS	24,434	37,285	(12,851)	(34%)
<b>Total Operating Expenses</b>	<b>1,960,076</b>	<b>2,126,293</b>	<b>(166,217)</b>	<b>(8%)</b>
<b>Operating Income</b>	<b>210,024</b>	<b>142,288</b>	<b>67,736</b>	<b>48%</b>
<b>Nonoperating Revenues (Expenses):</b>				
Gain on Disposal of Capital Assets	17,240	0	17,240	N/A
Rentals (Related Party)	5,000	5,000	0	0%
Customer Penalties/Credit Card Fees	1,789	1,730	59	3%
Insurance Dividends	1,839	0	1,839	N/A
Interest Income	6,718	6,579	139	2%
Free Community Service (Related Party)	(187,819)	(107,736)	(80,083)	74%
Free Community Service	(36,902)	(7,277)	(29,625)	407%
Interest Expense	(304)	(164)	(140)	85%
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(192,439)</b>	<b>(101,868)</b>	<b>(90,571)</b>	<b>89%</b>
<b>Change in Net Position Before Extraordinary Items</b>	<b>17,585</b>	<b>40,420</b>	<b>(22,835)</b>	<b>(56%)</b>
<b>Extraordinary Items:</b>				
FEMA Disaster Grant (Ice Storm)	0	33,437	(33,437)	(100%)
FEMA Disaster Grant (Flooding)	66,432	10,802	55,630	515%
<b>Total Extraordinary Items</b>	<b>66,432</b>	<b>44,239</b>	<b>22,193</b>	<b>50%</b>
<b>Change in Net Position After Extraordinary Items</b>	<b>84,017</b>	<b>84,659</b>	<b>(642)</b>	<b>(1%)</b>
<b>Net Position Beginning of Year</b>	<b>6,565,760</b>	<b>6,653,699</b>	<b>(87,939)</b>	<b>(1%)</b>
<b>GASB No. 68 &amp; 71 - Accounting Change/Restatement</b>	<b>0</b>	<b>(172,598)</b>	<b>172,598</b>	<b>(100%)</b>
<b>Net Position End of Year</b>	<b>\$ 6,649,777</b>	<b>6,565,760</b>	<b>84,017</b>	<b>1%</b>

See Accompanying Independent Auditor's Report.



**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule 4**

**Electric Utility Fund**

**Comparative Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>For the Fiscal Year Ended June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2013</b>		
<b>Operating Revenues:</b>				
Residential Sales	\$ 1,081,335	1,147,150	(65,815)	(6%)
Commercial Sales	1,045,847	1,075,043	(29,196)	(3%)
Public Street and Highway Lighting	14,035	16,193	(2,158)	(13%)
Wind Power – Residential and Commercial	456	468	(12)	(3%)
Material and Service Sales	20,078	32,513	(12,435)	(38%)
Service Income	4,217	8,205	(3,988)	(49%)
Service Income (Related Party)	4,132	4,132	0	0%
<b>Total Operating Revenues</b>	<b>2,170,100</b>	<b>2,283,704</b>	<b>(113,604)</b>	<b>(5%)</b>
<b>Operating Expenses:</b>				
Production/Processing Expense	1,269,146	1,357,068	(87,922)	(6%)
Distribution Expense	251,618	182,734	68,884	38%
Accounting and Collecting	27,143	22,727	4,416	19%
Administrative and General	184,843	168,121	16,722	10%
Transportation	4,030	7,449	(3,419)	(46%)
Depreciation	198,862	253,076	(54,214)	(21%)
Payroll Taxes/IPERS	24,434	35,327	(10,893)	(31%)
<b>Total Operating Expenses</b>	<b>1,960,076</b>	<b>2,026,502</b>	<b>(66,426)</b>	<b>(3%)</b>
<b>Operating Income</b>	<b>210,024</b>	<b>257,202</b>	<b>(47,178)</b>	<b>(18%)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Gain on Disposal of Capital Assets	17,240	17,150	90	1%
Rentals	0	1,000	(1,000)	(100%)
Rentals (Related Party)	5,000	5,000	0	0%
Customer Penalties/Credit Card Fees	1,789	1,431	358	25%
Insurance Dividends	1,839	53	1,786	3370%
Interest Income	6,718	7,264	(546)	(8%)
Insurance Proceeds (Ice/Hail Storms)	0	3,356	(3,356)	(100%)
Free Community Service (Related Party)	(187,819)	(101,221)	(86,598)	86%
Free Community Service	(36,902)	(26,256)	(10,646)	41%
Interest Expense	(304)	(225)	(79)	35%
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(192,439)</b>	<b>(92,448)</b>	<b>(99,991)</b>	<b>108%</b>
<b>Change in Net Position Before Special Items and Extraordinary Items</b>	<b>17,585</b>	<b>164,754</b>	<b>(147,169)</b>	<b>(89%)</b>

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Electric Utility Fund**

**Comparative Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>For the Fiscal Year Ended June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2013</b>		
<b>Special Items:</b>				
Energy Efficiency and Conservation				
Block Grant	0	15,509	(15,509)	(100%)
Hazard Mitigation Grant Program	0	32,782	(32,782)	(100%)
Free Community Service (Related Party)	0	(12,721)	12,721	(100%)
<b>Total Special Items</b>	<b>0</b>	<b>35,570</b>	<b>(35,570)</b>	<b>(100%)</b>
<b>Extraordinary Items:</b>				
FEMA Disaster Grant (Ice Storm)	0	275,100	(275,100)	(100%)
FEMA Disaster Grant (Flooding)	66,432	0	66,432	N/A
<b>Total Extraordinary Items</b>	<b>66,432</b>	<b>275,100</b>	<b>(208,668)</b>	<b>(76%)</b>
<b>Change in Net Position After Special Items and Extraordinary Items</b>	<b>84,017</b>	<b>475,424</b>	<b>(391,407)</b>	<b>(82%)</b>
<b>Net Position Beginning of Year, As Restated</b>	<b>6,565,760</b>	<b>6,178,275</b>	<b>387,485</b>	<b>6%</b>
<b>Net Position End of Year</b>	<b>\$ 6,649,777</b>	<b>6,653,699</b>	<b>(3,922)</b>	<b>(0%)</b>

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Water Utility Fund**

**Comparative Statements of Net Position**

**Assets**

**Current Assets:**

	<b>June 30,</b>		<b>Amount of</b>	<b>Percentage</b>
	<b>2015</b>	<b>2014 (*)</b>	<b>Change</b>	<b>of Change</b>
Cash (Checking)	\$ 354,563	182,293	172,270	95%
Accounts Receivable	68,845	83,607	(14,762)	(18%)
Due From Other Government (Related Party)	686	685	1	0%
Due From Other Governments	39,474	7,458	32,016	429%
Inventories	40,092	32,856	7,236	22%
Prepaid Expenses	20,652	17,659	2,993	17%
<b>Total Current Assets</b>	<b>524,312</b>	<b>324,558</b>	<b>199,754</b>	<b>62%</b>

**Restricted Cash (Checking):**

Customer Deposits	6,535	7,330	(795)	(11%)
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**Capital Assets:**

Land	118,311	118,311	0	0%
Utility Plant	5,841,698	5,824,948	16,750	0%
Transportation Equipment	29,951	29,951	0	0%
Office Equipment	3,594	3,594	0	0%
Tools and Safety Devices	36,414	23,505	12,909	55%
Communication Equipment	1,006	1,006	0	0%
Meter Testing Equipment	5,668	5,668	0	0%
Intangibles	1,099,729	1,060,299	39,430	4%
Total Capital Assets (Before W.I.P.)	7,136,371	7,067,282	69,089	1%
Less: Accumulated Depreciation/Amortization	(2,838,535)	(2,697,648)	(140,887)	5%
Capital Assets - Net (Before W.I.P.)	4,297,836	4,369,634	(71,798)	(2%)
Construction Work in Progress	27,302	38,792	(11,490)	(30%)
<b>Net Capital Assets</b>	<b>4,325,138</b>	<b>4,408,426</b>	<b>(83,288)</b>	<b>(2%)</b>

**Total Assets**

	4,855,985	4,740,314	115,671	2%
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**Deferred Outflows of Resources**

Pension Related Deferred Outflows	14,500	10,169	4,331	43%
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**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Water Utility Fund**

**Comparative Statements of Net Position**

	<u>June 30,</u>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2014 (*)</b>		
<b><u>Liabilities</u></b>				
<b>Current Liabilities (Payable From Current Assets):</b>				
Accounts Payable	16,938	25,598	(8,660)	(34%)
Due To Other Utility Fund	103,130	100,517	2,613	3%
Due To Other Government (Related Party)	100	100	0	0%
Due To Other Governments	2,163	812	1,351	166%
Accrued Vacation/Comp Time Pay	12,797	12,867	(70)	(1%)
Accrued Payroll & Payroll Liabilities	3,343	4,031	(688)	(17%)
<b>Total Current Liabilities</b>	<b>138,471</b>	<b>143,925</b>	<b>(5,454)</b>	<b>(4%)</b>
<b>(Payable From Current Assets)</b>				
<b>Liabilities Payable From Restricted Cash (Checking):</b>				
Customer Deposits	6,535	7,330	(795)	(11%)
<b>Long-Term Liabilities:</b>				
Accrued Sick Leave Pay	5,940	5,598	342	6%
Advances From Other Utility Fund	1,337,021	1,426,066	(89,045)	(6%)
Net Pension Liability	69,020	96,469	(27,449)	(28%)
<b>Total Long-Term Liabilities</b>	<b>1,411,981</b>	<b>1,528,133</b>	<b>(116,152)</b>	<b>(8%)</b>
<b>Total Liabilities</b>	<b>1,556,987</b>	<b>1,679,388</b>	<b>(122,401)</b>	<b>(7%)</b>
<b><u>Deferred Inflows of Resources</u></b>				
Pension Related Deferred Inflows	26,322	0	26,322	N/A
<b><u>Net Position</u></b>				
Net Investment in Capital Assets	2,899,072	2,896,975	2,097	0%
Unrestricted	388,104	174,120	213,984	123%
<b>Total Net Position</b>	<b>\$ 3,287,176</b>	<b>3,071,095</b>	<b>216,081</b>	<b>7%</b>

(\*) See Note (20) to the Financial Statements - "Accounting Change/Restatement" for retroactive reported adjustments to the June 30, 2014 financial amounts which have been presented accordingly.

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Water Utility Fund**

**Comparative Statements of Net Position**

	<u>June 30,</u>		Amount of Change	Percentage of Change
	2015	2013 (#)		
<u>Assets</u>				
<b>Current Assets:</b>				
Cash (Checking)	\$ 354,563	155,682	198,881	128%
Due From Other Utility Funds	0	60	(60)	(100%)
Accounts Receivable	68,845	59,583	9,262	16%
Due From Other Government (Related Party)	686	961	(275)	(29%)
Due From Other Governments	39,474	726	38,748	5337%
Interest Receivable	0	3,509	(3,509)	(100%)
Note Receivable - Lyon & Sioux Rural Water System, Inc.	0	160,972	(160,972)	(100%)
Inventories	40,092	25,639	14,453	56%
Prepaid Expenses	20,652	18,025	2,627	15%
<b>Total Current Assets</b>	<b>524,312</b>	<b>425,157</b>	<b>99,155</b>	<b>23%</b>
<b>Restricted Cash (Checking):</b>				
Customer Deposits	6,535	7,310	(775)	(11%)
<b>Capital Assets:</b>				
Land	118,311	118,311	0	0%
Utility Plant	5,841,698	5,074,551	767,147	15%
Transportation Equipment	29,951	29,951	0	0%
Office Equipment	3,594	3,594	0	0%
Tools and Safety Devices	36,414	23,505	12,909	55%
Communication Equipment	1,006	1,006	0	0%
Meter Testing Equipment	5,668	5,668	0	0%
Intangibles	1,099,729	1,060,299	39,430	4%
Total Capital Assets (Before W.I.P.)	7,136,371	6,316,885	819,486	13%
Less: Accumulated Depreciation/Amortization	(2,838,535)	(2,565,684)	(272,851)	11%
Capital Assets - Net (Before W.I.P.)	4,297,836	3,751,201	546,635	15%
Construction Work in Progress	27,302	303,495	(276,193)	(91%)
<b>Net Capital Assets</b>	<b>4,325,138</b>	<b>4,054,696</b>	<b>270,442</b>	<b>7%</b>
<b>Total Assets</b>	<b>4,855,985</b>	<b>4,487,163</b>	<b>368,822</b>	<b>8%</b>
<u>Deferred Outflows of Resources</u>				
Pension Related Deferred Outflows	14,500	0	14,500	N/A

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Water Utility Fund**

**Comparative Statements of Net Position**

	<u>June 30,</u>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2013 (#)</b>		
<b><u>Liabilities</u></b>				
<b>Current Liabilities (Payable From Current Assets):</b>				
Accounts Payable	16,938	38,701	(21,763)	(56%)
Due To Other Utility Funds	103,130	261,233	(158,103)	(61%)
Due To Other Government (Related Party)	100	100	0	0%
Due To Other Governments	2,163	1,841	322	17%
Construction Contracts Payable	0	30,696	(30,696)	(100%)
Accrued Vacation/Comp Time Pay	12,797	11,635	1,162	10%
Accrued Payroll & Payroll Liabilities	3,343	2,454	889	36%
<b>Total Current Liabilities</b>	<b>138,471</b>	<b>346,660</b>	<b>(208,189)</b>	<b>(60%)</b>
<b>(Payable From Current Assets)</b>				
<b>Liabilities Payable From Restricted Cash (Checking):</b>				
Customer Deposits	6,535	7,310	(775)	(11%)
<b>Long-Term Liabilities:</b>				
Accrued Sick Leave Pay	5,940	5,638	302	5%
Advances From Other Utility Fund	1,337,021	1,069,816	267,205	25%
Net Pension Liability	69,020	0	69,020	N/A
<b>Total Long-Term Liabilities</b>	<b>1,411,981</b>	<b>1,075,454</b>	<b>336,527</b>	<b>31%</b>
<b>Total Liabilities</b>	<b>1,556,987</b>	<b>1,429,424</b>	<b>127,563</b>	<b>9%</b>
<b><u>Deferred Inflows of Resources</u></b>				
Pension Related Deferred Inflows	26,322	0	26,322	N/A
<b><u>Net Position</u></b>				
Net Investment in Capital Assets	2,899,072	2,917,302	(18,230)	(1%)
Unrestricted	388,104	140,437	247,667	176%
<b>Total Net Position</b>	<b>\$ 3,287,176</b>	<b>3,057,739</b>	<b>229,437</b>	<b>8%</b>

(#) As described in Note (20) to the Financial Statements - "Accounting Change/Restatement", the accounting adjustments resulting from the implementation of GASB No. 68 have not been retroactively applied to the June 30, 2013 financial amounts.

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule 7**

**Water Utility Fund**

**Comparative Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>For the Fiscal Year Ended June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2014</b>		
<b>Operating Revenues:</b>				
Water Sales – Metered	\$ 323,542	318,056	5,486	2%
Water Sales – Rural Water System	454,431	423,052	31,379	7%
Water Sales – Tank Loads	738	1,804	(1,066)	(59%)
Material and Service Sales	3,583	1,734	1,849	107%
Service Income	1,331	2,696	(1,365)	(51%)
Service Income (Related Party)	2,361	2,361	0	0%
<b>Total Operating Revenues</b>	<b>785,986</b>	<b>749,703</b>	<b>36,283</b>	<b>5%</b>
<b>Operating Expenses:</b>				
Production/Processing Expense	240,765	242,034	(1,269)	(1%)
Distribution Expense	88,655	93,254	(4,599)	(5%)
Accounting and Collecting	14,252	14,975	(723)	(5%)
Administrative and General	102,158	103,909	(1,751)	(2%)
Transportation	4,068	3,126	942	30%
Depreciation	146,927	131,964	14,963	11%
Payroll Taxes/IPERS	13,728	19,106	(5,378)	(28%)
<b>Total Operating Expenses</b>	<b>610,553</b>	<b>608,368</b>	<b>2,185</b>	<b>0%</b>
<b>Operating Income</b>	<b>175,433</b>	<b>141,335</b>	<b>34,098</b>	<b>24%</b>
<b>Nonoperating Revenues (Expenses):</b>				
Gain on Disposal of Capital Assets	4,050	0	4,050	N/A
Rentals	2,720	1,880	840	45%
Customer Penalties	260	227	33	15%
Interest Income	7	2,416	(2,409)	(100%)
Insurance Dividends	1,051	0	1,051	N/A
Insurance Proceeds	5,046	13,848	(8,802)	(64%)
Construction Support Payment	24,065	0	24,065	N/A
Donations (Water Tower Mural)	0	9,100	(9,100)	(100%)
Free Community Service (Related Party)	(2,485)	(6,726)	4,241	(63%)
Free Community Service	(800)	0	(800)	N/A
Interest Expense (Gas Fund)	(64,547)	(65,336)	789	(1%)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(30,633)</b>	<b>(44,591)</b>	<b>13,958</b>	<b>(31%)</b>
<b>Change in Net Position Before Extraordinary Item</b>	<b>144,800</b>	<b>96,744</b>	<b>48,056</b>	<b>50%</b>
<b>Extraordinary Item:</b>				
FEMA Disaster Grant (Flooding)	71,281	2,912	68,369	2348%
<b>Change in Net Position After Extraordinary Item</b>	<b>216,081</b>	<b>99,656</b>	<b>116,425</b>	<b>117%</b>
<b>Net Position Beginning of Year</b>	<b>3,071,095</b>	<b>3,057,739</b>	<b>13,356</b>	<b>0%</b>
<b>GASB No. 68 &amp; 71 - Accounting Change/Restatement</b>	<b>0</b>	<b>(86,300)</b>	<b>86,300</b>	<b>(100%)</b>
<b>Net Position End of Year</b>	<b>\$ 3,287,176</b>	<b>3,071,095</b>	<b>216,081</b>	<b>7%</b>

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule 8**

**Water Utility Fund**

**Comparative Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>For the Fiscal Year Ended June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2013</b>		
<b>Operating Revenues:</b>				
Water Sales – Metered	\$ 323,542	300,109	23,433	8%
Water Sales – Rural Water System	454,431	351,384	103,047	29%
Water Sales – Tank Loads	738	3,954	(3,216)	(81%)
Material and Service Sales	3,583	20,489	(16,906)	(83%)
Service Income	1,331	393	938	239%
Service Income (Related Party)	2,361	2,361	0	0%
<b>Total Operating Revenues</b>	<b>785,986</b>	<b>678,690</b>	<b>107,296</b>	<b>16%</b>
<b>Operating Expenses:</b>				
Production/Processing Expense	240,765	176,413	64,352	36%
Distribution Expense	88,655	61,848	26,807	43%
Accounting and Collecting	14,252	13,437	815	6%
Administrative and General	102,158	101,473	685	1%
Transportation	4,068	2,905	1,163	40%
Depreciation	146,927	116,988	29,939	26%
Payroll Taxes/IPERS	13,728	17,579	(3,851)	(22%)
<b>Total Operating Expenses</b>	<b>610,553</b>	<b>490,643</b>	<b>119,910</b>	<b>24%</b>
<b>Operating Income</b>	<b>175,433</b>	<b>188,047</b>	<b>(12,614)</b>	<b>(7%)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Gain on Disposal of Capital Assets	4,050	0	4,050	N/A
Rentals	2,720	880	1,840	209%
Customer Penalties	260	199	61	31%
Interest Income	7	3,594	(3,587)	(100%)
Insurance Dividends	1,051	0	1,051	N/A
Insurance Proceeds	5,046	5,702	(656)	(12%)
Construction Support Payment	24,065	0	24,065	N/A
Free Community Service (Related Party)	(2,485)	0	(2,485)	N/A
Free Community Service	(800)	(5,566)	4,766	(86%)
Interest Expense (Gas Fund)	(64,547)	(53,009)	(11,538)	22%
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(30,633)</b>	<b>(48,200)</b>	<b>17,567</b>	<b>(36%)</b>
<b>Change in Net Position Before Extraordinary Item</b>	<b>144,800</b>	<b>139,847</b>	<b>4,953</b>	<b>4%</b>
<b>Extraordinary Item:</b>				
FEMA Disaster Grant (Flooding)	71,281	0	71,281	N/A
<b>Change in Net Position After Extraordinary Item</b>	<b>216,081</b>	<b>139,847</b>	<b>76,234</b>	<b>55%</b>
<b>Net Position Beginning of Year, As Restated</b>	<b>3,071,095</b>	<b>2,917,892</b>	<b>153,203</b>	<b>5%</b>
<b>Net Position End of Year</b>	<b>\$ 3,287,176</b>	<b>3,057,739</b>	<b>229,437</b>	<b>8%</b>

See Accompanying Independent Auditor's Report.



**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Sewer Utility Fund**

**Comparative Statements of Net Position**

	June 30,		Amount of Change	Percentage of Change
	2015	2014 (*)		
<b><u>Assets</u></b>				
<b>Current Assets:</b>				
Cash (Checking)	\$ 67,646	125,082	(57,436)	(46%)
Accounts Receivable	21,190	28,250	(7,060)	(25%)
Due From Other Government (Related Party)	398	579	(181)	(31%)
Due From Other Governments	80,870	38,710	42,160	109%
Prepaid Expenses	19,855	16,203	3,652	23%
<b>Total Current Assets</b>	<b>189,959</b>	<b>208,824</b>	<b>(18,865)</b>	<b>(9%)</b>
<b>Restricted Cash (Checking):</b>				
Depreciation Reserves	28,849	18,082	10,767	60%
<b>Capital Assets:</b>				
Utility Plant	2,379,503	2,379,503	0	0%
Transportation Equipment	43,724	18,530	25,194	136%
Office Equipment	1,797	1,797	0	0%
Tools and Safety Devices	9,676	12,696	(3,020)	(24%)
Intangibles	3,355	3,355	0	0%
Total Capital Assets (Before W.I.P.)	2,438,055	2,415,881	22,174	1%
Less: Accumulated Depreciation/Amortization	(1,538,493)	(1,493,634)	(44,859)	3%
Capital Assets - Net (Before W.I.P.)	899,562	922,247	(22,685)	(2%)
Construction Work in Progress	126,305	2,718	123,587	4547%
<b>Net Capital Assets</b>	<b>1,025,867</b>	<b>924,965</b>	<b>100,902</b>	<b>11%</b>
<b>Total Assets</b>	<b>1,244,675</b>	<b>1,151,871</b>	<b>92,804</b>	<b>8%</b>
<b><u>Deferred Outflows of Resources</u></b>				
Pension Related Deferred Outflows	10,875	7,627	3,248	43%

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Sewer Utility Fund**

**Comparative Statements of Net Position**

	<u>June 30,</u>		<u>Amount of Change</u>	<u>Percentage of Change</u>
	<u>2015</u>	<u>2014 (*)</u>		
<u>Liabilities</u>				
<b>Current Liabilities (Payable From Current Assets):</b>				
Accounts Payable	34,680	29,091	5,589	19%
Due to Other Utility Fund	13,896	17,772	(3,876)	(22%)
Due To Other Government (Related Party)	50	50	0	0%
Due To Other Governments	308	167	141	84%
Accrued Vacation/Comp Time Pay	9,553	9,182	371	4%
Accrued Payroll & Payroll Liabilities	2,845	4,785	(1,940)	(41%)
<b>Total Current Liabilities</b>	<b>61,332</b>	<b>61,047</b>	<b>285</b>	<b>0%</b>
<b>(Payable From Current Assets)</b>				
<b>Long-Term Liabilities:</b>				
Accrued Sick Leave Pay	5,789	5,620	169	3%
Advance From Other Utility Fund	0	13,896	(13,896)	(100%)
Net Pension Liability	51,765	72,352	(20,587)	(28%)
<b>Total Long-Term Liabilities</b>	<b>57,554</b>	<b>91,868</b>	<b>(34,314)</b>	<b>(37%)</b>
<b>Total Liabilities</b>	<b>118,886</b>	<b>152,915</b>	<b>(34,029)</b>	<b>(22%)</b>
<u>Deferred Inflows of Resources</u>				
Pension Related Deferred Inflows	19,742	0	19,742	N/A
<u>Net Position</u>				
Net Investment in Capital Assets	1,011,971	893,297	118,674	13%
Restricted for:				
Depreciation Reserves	28,849	18,082	10,767	60%
Unrestricted	76,102	95,204	(19,102)	(20%)
<b>Total Net Position</b>	<b>\$ 1,116,922</b>	<b>1,006,583</b>	<b>110,339</b>	<b>11%</b>

(\*) See Note (20) to the Financial Statements - "Accounting Change/Restatement" for retroactive reported adjustments to the June 30, 2014 financial amounts which have been presented accordingly.

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Sewer Utility Fund**

**Comparative Statements of Net Position**

	<u>June 30,</u>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2013 (#)</b>		
<b><u>Assets</u></b>				
<b>Current Assets:</b>				
Cash (Checking)	\$ 67,646	161,155	(93,509)	(58%)
Accounts Receivable	21,190	20,009	1,181	6%
Due From Other Utility Funds	0	36	(36)	(100%)
Due From Other Government (Related Party)	398	928	(530)	(57%)
Due From Other Governments	80,870	692	80,178	11586%
Prepaid Expenses	19,855	15,765	4,090	26%
<b>Total Current Assets</b>	<b>189,959</b>	<b>198,585</b>	<b>(8,626)</b>	<b>(4%)</b>
<b>Restricted Cash (Checking):</b>				
Depreciation Reserves	28,849	13,518	15,331	113%
<b>Capital Assets:</b>				
Utility Plant	2,379,503	2,265,053	114,450	5%
Transportation Equipment	43,724	38,380	5,344	14%
Office Equipment	1,797	1,797	0	0%
Tools and Safety Devices	9,676	12,696	(3,020)	(24%)
Intangibles	3,355	3,355	0	0%
Total Capital Assets (Before W.I.P.)	2,438,055	2,321,281	116,774	5%
Less: Accumulated Depreciation/Amortization	(1,538,493)	(1,467,760)	(70,733)	5%
Capital Assets - Net (Before W.I.P.)	899,562	853,521	46,041	5%
Construction Work in Progress	126,305	57,424	68,881	120%
<b>Net Capital Assets</b>	<b>1,025,867</b>	<b>910,945</b>	<b>114,922</b>	<b>13%</b>
<b>Total Assets</b>	<b>1,244,675</b>	<b>1,123,048</b>	<b>121,627</b>	<b>11%</b>
<b><u>Deferred Outflows of Resources</u></b>				
Pension Related Deferred Outflows	10,875	0	10,875	N/A

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Sewer Utility Fund**

**Comparative Statements of Net Position**

	<b>June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2013 (#)</b>		
<b><u>Liabilities</u></b>				
<b>Current Liabilities (Payable From Current Assets):</b>				
Accounts Payable	34,680	7	34,673	495,329%
Due to Other Utility Funds	13,896	19,469	(5,573)	(29%)
Due To Other Government (Related Party)	50	50	0	0%
Due To Other Governments	308	273	35	13%
Accrued Vacation/Comp Time Pay	9,553	7,838	1,715	22%
Accrued Payroll & Payroll Liabilities	2,845	2,116	729	34%
<b>Total Current Liabilities</b>	<b>61,332</b>	<b>29,753</b>	<b>31,579</b>	<b>106%</b>
<b>(Payable From Current Assets)</b>				
<b>Long-Term Liabilities:</b>				
Accrued Sick Leave Pay	5,789	5,493	296	5%
Advance From Other Utility Fund	0	31,669	(31,669)	(100%)
Net Pension Liability	51,765	0	51,765	N/A
<b>Total Long-Term Liabilities</b>	<b>57,554</b>	<b>37,162</b>	<b>20,392</b>	<b>55%</b>
<b>Total Liabilities</b>	<b>118,886</b>	<b>66,915</b>	<b>51,971</b>	<b>78%</b>
<b><u>Deferred Inflows of Resources</u></b>				
Pension Related Deferred Inflows	19,742	0	19,742	N/A
<b><u>Net Position</u></b>				
Net Investment in Capital Assets	1,011,971	862,331	149,640	17%
Restricted for:				
Depreciation Reserves	28,849	13,518	15,331	113%
Unrestricted	76,102	180,284	(104,182)	(58%)
<b>Total Net Position</b>	<b>\$ 1,116,922</b>	<b>1,056,133</b>	<b>60,789</b>	<b>6%</b>

(#) As described in Note (20) to the Financial Statements - "Accounting Change/Restatement", the accounting adjustments resulting from the implementation of GASB No. 68 have not been retroactively applied to the June 30, 2013 financial amounts.

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule 11**

**Sewer Utility Fund**

**Comparative Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>For the Fiscal Year Ended June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2014</b>		
<b>Operating Revenues:</b>				
Sewer Service	\$ 257,550	260,654	(3,104)	(1%)
Material and Service Sales	150	0	150	N/A
Service Income (Related Party)	1,180	1,180	0	0%
<b>Total Operating Revenues</b>	<b>258,880</b>	<b>261,834</b>	<b>(2,954)</b>	<b>(1%)</b>
<b>Operating Expenses:</b>				
Production/Processing Expense	124,772	151,563	(26,791)	(18%)
Accounting and Collecting	7,792	7,923	(131)	(2%)
Administrative and General	63,082	60,941	2,141	4%
Transportation	2,951	5,787	(2,836)	(49%)
Depreciation	47,879	45,724	2,155	5%
Payroll Taxes/IPERS	10,227	14,011	(3,784)	(27%)
<b>Total Operating Expenses</b>	<b>256,703</b>	<b>285,949</b>	<b>(29,246)</b>	<b>(10%)</b>
<b>Operating Income (Loss)</b>	<b>2,177</b>	<b>(24,115)</b>	<b>26,292</b>	<b>(109%)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Gain on Disposal of Capital Assets	0	8,706	(8,706)	(100%)
Customer Penalties	229	198	31	16%
Insurance Dividends	525	0	525	N/A
Free Community Service (Related Party)	(5,879)	(5,720)	(159)	3%
Interest Expense (Gas Fund)	(1,127)	(1,954)	827	(42%)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(6,252)</b>	<b>1,230</b>	<b>(7,482)</b>	<b>(608%)</b>
<b>Changes in Net Position Before Special Item and Extraordinary Item</b>	<b>(4,075)</b>	<b>(22,885)</b>	<b>18,810</b>	<b>(82%)</b>
<b>Special Item:</b>				
Hazard Mitigation Grant Program	53,340	1,588	51,752	3259%
<b>Extraordinary Item:</b>				
FEMA Disaster Grant (Flooding)	61,074	36,472	24,602	67%
<b>Changes in Net Position After Special Item and Extraordinary Item</b>	<b>110,339</b>	<b>15,175</b>	<b>95,164</b>	<b>627%</b>
<b>Net Position Beginning of Year</b>	<b>1,006,583</b>	<b>1,056,133</b>	<b>(49,550)</b>	<b>(5%)</b>
<b>GASB No. 68 &amp; 71 - Accounting Change/Restatement</b>	<b>0</b>	<b>(64,725)</b>	<b>64,725</b>	<b>(100%)</b>
<b>Net Position End of Year</b>	<b>\$ 1,116,922</b>	<b>1,006,583</b>	<b>110,339</b>	<b>11%</b>

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Sewer Utility Fund**

**Comparative Statements of Revenues, Expenses and Changes in Fund Net Position**

	For the Fiscal Year Ended June 30,		Amount of Change	Percentage of Change
	2015	2013		
<b>Operating Revenues:</b>				
Sewer Service	\$ 257,550	241,138	16,412	7%
Material and Service Sales	150	0	150	N/A
Service Income (Related Party)	1,180	1,180	0	0%
<b>Total Operating Revenues</b>	<b>258,880</b>	<b>242,318</b>	<b>16,562</b>	<b>7%</b>
<b>Operating Expenses:</b>				
Production/Processing Expense	124,772	122,439	2,333	2%
Accounting and Collecting	7,792	6,550	1,242	19%
Administrative and General	63,082	56,447	6,635	12%
Transportation	2,951	3,415	(464)	(14%)
Depreciation	47,879	42,135	5,744	14%
Payroll Taxes/IPERS	10,227	12,661	(2,434)	(19%)
<b>Total Operating Expenses</b>	<b>256,703</b>	<b>243,647</b>	<b>13,056</b>	<b>5%</b>
<b>Operating Income (Loss)</b>	<b>2,177</b>	<b>(1,329)</b>	<b>3,506</b>	<b>(264%)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Customer Penalties	229	179	50	28%
Insurance Dividends	525	0	525	N/A
Free Community Service (Related Party)	(5,879)	(5,280)	(599)	11%
Interest Expense (Gas Fund)	(1,127)	(2,743)	1,616	(59%)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(6,252)</b>	<b>(7,844)</b>	<b>1,592</b>	<b>(20%)</b>
<b>Changes in Net Position Before Special Item and Extraordinary Item</b>	<b>(4,075)</b>	<b>(9,173)</b>	<b>5,098</b>	<b>(56%)</b>
<b>Special Item:</b>				
Hazard Mitigation Grant Program	53,340	0	53,340	N/A
<b>Extraordinary Item:</b>				
FEMA Disaster Grant (Flooding)	61,074	0	61,074	N/A
<b>Changes in Net Position After Special Item and Extraordinary Item</b>	<b>110,339</b>	<b>(9,173)</b>	<b>119,512</b>	<b>(1303%)</b>
<b>Net Position Beginning of Year, As Restated</b>	<b>1,006,583</b>	<b>1,065,306</b>	<b>(58,723)</b>	<b>(6%)</b>
<b>Net Position End of Year</b>	<b>\$ 1,116,922</b>	<b>1,056,133</b>	<b>60,789</b>	<b>6%</b>

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Gas Utility Fund**

**Comparative Statements of Net Position**

	June 30,		Amount of Change	Percentage of Change
	2015	2014 (*)		
<b>Assets</b>				
<b>Current Assets:</b>				
Cash (Checking)	\$ 745,937	284,720	461,217	162%
Certificates of Deposit (Cash Equivalent)	300,000	100,000	200,000	200%
Certificates of Deposit	1,400,000	1,950,000	(550,000)	(28%)
Accounts Receivable	70,959	80,938	(9,979)	(12%)
Due From Other Utility Funds	117,026	118,290	(1,264)	(1%)
Due From Other Government (Related Party)	(911)	1,989	(2,900)	(146%)
Due From Other Governments	1,743	10,878	(9,135)	(84%)
Interest Receivable	7,565	8,313	(748)	(9%)
Note Receivable - Rock Rapids Development Corporation	2,304	6,000	(3,696)	(62%)
Inventories	56,623	44,571	12,052	27%
Prepaid Expenses	10,911	9,511	1,400	15%
<b>Total Current Assets</b>	<b>2,712,157</b>	<b>2,615,210</b>	<b>96,947</b>	<b>4%</b>
<b>Restricted Cash (Checking):</b>				
Customer Deposits	24,648	24,965	(317)	(1%)
<b>Capital Assets:</b>				
Land	13,863	13,863	0	0%
Utility Plant	1,134,533	1,109,432	25,101	2%
Transportation Equipment	89,949	89,949	0	0%
Office Equipment	8,176	8,176	0	0%
Tools and Safety Devices	98,394	73,097	25,297	35%
Intangibles	11,990	11,990	0	0%
Total Capital Assets (Before W.I.P)	1,356,905	1,306,507	50,398	4%
Less: Accumulated Depreciation/Amortization	(718,339)	(687,051)	(31,288)	5%
Capital Assets – Net (Before W.I.P)	638,566	619,456	19,110	3%
Construction Work in Progress	0	35,234	(35,234)	(100%)
<b>Net Capital Assets</b>	<b>638,566</b>	<b>654,690</b>	<b>(16,124)</b>	<b>(2%)</b>
<b>Other Assets:</b>				
Advances To Other Utility Funds	1,337,021	1,439,961	(102,940)	(7%)
Notes Receivable - Rock Rapids Development Corporation	189,249	191,553	(2,304)	(1%)
Notes Receivable - Housing Development Incentive Program	112,500	59,717	52,783	88%
<b>Total Other Assets</b>	<b>1,638,770</b>	<b>1,691,231</b>	<b>(52,461)</b>	<b>(3%)</b>
<b>Total Assets</b>	<b>5,014,141</b>	<b>4,986,096</b>	<b>28,045</b>	<b>1%</b>
<b>Deferred Outflows of Resources</b>				
Pension Related Deferred Outflows	18,125	12,712	5,413	43%

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Gas Utility Fund**

**Comparative Statements of Net Position**

	<u>June 30,</u>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2014 (*)</b>		
<b><u>Liabilities</u></b>				
<b>Current Liabilities (Payable From Current Assets):</b>				
Accounts Payable	14,301	20,096	(5,795)	(29%)
Due To Other Government (Related Party)	18,508	27,280	(8,772)	(32%)
Due To Other Governments	958	366	592	162%
Accrued Vacation/Comp Time Pay	19,079	17,838	1,241	7%
Accrued Payroll & Payroll Liabilities	6,018	4,795	1,223	26%
Advances from Customers	66,744	8,260	58,484	708%
<b>Total Current Liabilities</b>	<b>125,608</b>	<b>78,635</b>	<b>46,973</b>	<b>60%</b>
<b>(Payable From Current Assets)</b>				
<b>Liabilities Payable From Restricted Cash (Checking):</b>				
Customer Deposits	24,648	24,965	(317)	(1%)
<b>Long-Term Liabilities:</b>				
Accrued Sick Leave Pay	11,216	10,888	328	3%
Net Pension Liability	86,274	120,586	(34,312)	(28%)
<b>Total Long-Term Liabilities</b>	<b>97,490</b>	<b>131,474</b>	<b>(33,984)</b>	<b>(26%)</b>
<b>Total Liabilities</b>	<b>247,746</b>	<b>235,074</b>	<b>12,672</b>	<b>5%</b>
<b><u>Deferred Inflows of Resources</u></b>				
Pension Related Deferred Inflows	32,903	0	32,903	N/A
<b><u>Net Position</u></b>				
Net Investment in Capital Assets	638,566	654,690	(16,124)	(2%)
Unrestricted	4,113,051	4,109,044	4,007	0%
<b>Total Net Assets</b>	<b>\$ 4,751,617</b>	<b>4,763,734</b>	<b>(12,117)</b>	<b>(0%)</b>

(\*) See Note (20) to the Financial Statements - "Accounting Change/Restatement" for retroactive reported adjustments to the June 30, 2014 financial amounts which have been presented accordingly.



**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Gas Utility Fund**

**Comparative Statements of Net Position**

	June 30,		Amount of Change	Percentage of Change
	2015	2013 (#)		
<b>Assets</b>				
<b>Current Assets:</b>				
Cash (Checking)	\$ 745,937	329,186	416,751	127%
Certificates of Deposit (Cash Equivalent)	300,000	0	300,000	N/A
Certificates of Deposit	1,400,000	2,125,000	(725,000)	(34%)
Accounts Receivable	70,959	64,784	6,175	10%
Due From Other Utility Funds	117,026	275,431	(158,405)	(58%)
Due From Other Government (Related Party)	(911)	1,521	(2,432)	(160%)
Due From Other Governments	1,743	1,338	405	30%
Interest Receivable	7,565	8,220	(655)	(8%)
Note Receivable - Rock Rapids Development Corporation	2,304	6,000	(3,696)	(62%)
Note Receivable - Housing Development Incentive Program	0	10,000	(10,000)	(100%)
Inventories	56,623	38,856	17,767	46%
Prepaid Expenses	10,911	12,335	(1,424)	(12%)
<b>Total Current Assets</b>	<b>2,712,157</b>	<b>2,872,671</b>	<b>(160,514)</b>	<b>(6%)</b>
<b>Restricted Cash (Checking):</b>				
Customer Deposits	24,648	24,470	178	1%
<b>Capital Assets:</b>				
Land	13,863	13,863	0	0%
Utility Plant	1,134,533	1,090,919	43,614	4%
Transportation Equipment	89,949	89,949	0	0%
Office Equipment	8,176	8,176	0	0%
Tools and Safety Devices	98,394	73,097	25,297	35%
Intangibles	11,990	11,990	0	0%
Total Capital Assets (Before W.I.P)	1,356,905	1,287,994	68,911	5%
Less: Accumulated Depreciation/Amortization	(718,339)	(645,198)	(73,141)	11%
<b>Net Capital Assets</b>	<b>638,566</b>	<b>642,796</b>	<b>(4,230)</b>	<b>(1%)</b>
<b>Other Assets:</b>				
Advances To Other Utility Funds	1,337,021	1,101,485	235,536	21%
Notes Receivable - Rock Rapids Development Corporation	189,249	197,553	(8,304)	(4%)
Note Receivable - Housing Development Incentive Program	112,500	59,717	52,783	88%
<b>Total Other Assets</b>	<b>1,638,770</b>	<b>1,358,755</b>	<b>280,015</b>	<b>21%</b>
<b>Total Assets</b>	<b>5,014,141</b>	<b>4,898,692</b>	<b>115,449</b>	<b>2%</b>
<b>Deferred Outflows of Resources</b>				
Pension Related Deferred Outflows	18,125	0	18,125	N/A

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Gas Utility Fund**

**Comparative Statements of Net Position**

	<b>June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2013 (#)</b>		
<b><u>Liabilities</u></b>				
<b>Current Liabilities (Payable From Current Assets):</b>				
Accounts Payable	14,301	693	13,608	1964%
Due To Other Utility Funds	0	100	(100)	(100%)
Due To Other Government (Related Party)	18,508	18,723	(215)	(1%)
Due To Other Governments	958	998	(40)	(4%)
Accrued Vacation/Comp Time Pay	19,079	16,634	2,445	15%
Accrued Payroll & Payroll Liabilities	6,018	3,355	2,663	79%
Advances from Customers	66,744	38,520	28,224	73%
<b>Total Current Liabilities</b>	<b>125,608</b>	<b>79,023</b>	<b>46,585</b>	<b>59%</b>
<b>(Payable From Current Assets)</b>				
<b>Liabilities Payable From Restricted Cash (Checking):</b>				
Customer Deposits	24,648	24,470	178	1%
<b>Long-Term Liabilities:</b>				
Accrued Sick Leave Pay	11,216	10,649	567	5%
Net Pension Liability	86,274	0	86,274	N/A
<b>Total Long-Term Liabilities</b>	<b>97,490</b>	<b>10,649</b>	<b>86,841</b>	<b>815%</b>
<b>Total Liabilities</b>	<b>247,746</b>	<b>114,142</b>	<b>133,604</b>	<b>117%</b>
<b><u>Deferred Inflows of Resources</u></b>				
Pension Related Deferred Inflows	32,903	0	32,903	N/A
<b><u>Net Position</u></b>				
Net Investment in Capital Assets	638,566	642,796	(4,230)	(1%)
Unrestricted	4,113,051	4,141,754	(28,703)	(1%)
<b>Total Net Assets</b>	<b>\$ 4,751,617</b>	<b>4,784,550</b>	<b>(32,933)</b>	<b>(1%)</b>

(#) As described in Note (20) to the Financial Statements - "Accounting Change/Restatement", the accounting adjustments resulting from the implementation of GASB No. 68 have not been retroactively applied to the June 30, 2013 financial amounts.

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule 15**

**Gas Utility Fund**

**Comparative Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>For the Fiscal Year Ended June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2014</b>		
<b>Operating Revenues:</b>				
Residential Gas Sales	\$ 667,393	891,648	(224,255)	(25%)
Commercial Gas Sales	439,737	594,330	(154,593)	(26%)
Material and Service Sales	1,729	0	1,729	N/A
Service Income	1,392	1,248	144	12%
Service Income (Related Party)	4,132	4,132	0	0%
<b>Total Operating Revenues</b>	<b>1,114,383</b>	<b>1,491,358</b>	<b>( 376,975)</b>	<b>(25%)</b>
<b>Operating Expenses:</b>				
Production/Processing Expense	729,412	1,122,245	(392,833)	(35%)
Distribution Expense	122,935	104,365	18,570	18%
Accounting and Collecting	30,059	30,439	(380)	(1%)
Administrative and General	173,706	167,383	6,323	4%
Transportation	3,181	3,153	28	1%
Depreciation	41,859	41,853	6	0%
Payroll Taxes/IPERS	22,139	24,445	(2,306)	(9%)
<b>Total Operating Expenses</b>	<b>1,123,291</b>	<b>1,493,883</b>	<b>(370,592)</b>	<b>(25%)</b>
<b>Operating Loss</b>	<b>(8,908)</b>	<b>(2,525)</b>	<b>(6,383)</b>	<b>253%</b>
<b>Nonoperating Revenues (Expenses):</b>				
Gain on Disposal of Capital Assets	8,100	0	8,100	N/A
Customer Penalties	910	1,121	(211)	(19%)
Interest Income	21,613	20,866	747	4%
Interest Income (Water, Sewer Funds)	65,674	67,290	(1,616)	(2%)
Insurance Dividends	1,839	0	1,839	N/A
Construction Support Payment	3,275	3,048	227	7%
Free Community Service (Related Party)	(12,651)	0	(12,651)	N/A
Free Community Service	(40,817)	(10,000)	(30,817)	308%
Interest Expense	(331)	(166)	(165)	99%
<b>Net Nonoperating Revenues (Expenses)</b>	<b>47,612</b>	<b>82,159</b>	<b>(34,547)</b>	<b>(42%)</b>
<b>Change in Net Position Before Extraordinary Item and Other Financing Use</b>	<b>38,704</b>	<b>79,634</b>	<b>(40,930)</b>	<b>(51%)</b>
<b>Extraordinary Item:</b>				
FEMA Disaster Grant (Flooding)	9,179	7,424	1,755	24%
<b>Other Financing Use:</b>				
Transfer Out - Revolving Loan Fund	( 60,000)	0	(60,000)	N/A
<b>Change in Net Position After Extraordinary Item and Other Financing Use</b>	<b>( 12,117)</b>	<b>87,058</b>	<b>(99,175)</b>	<b>(114%)</b>
<b>Net Position Beginning of Year</b>	<b>4,763,734</b>	<b>4,784,550</b>	<b>(20,816)</b>	<b>(0%)</b>
<b>GASB No. 68 &amp; 71 - Accounting Change/Restatement</b>	<b>0</b>	<b>( 107,874)</b>	<b>107,874</b>	<b>(100%)</b>
<b>Net Position End of Year</b>	<b>\$ 4,751,617</b>	<b>4,763,734</b>	<b>(12,117)</b>	<b>(0%)</b>

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule 16**

**Gas Utility Fund**

**Comparative Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>For the Fiscal Year Ended June 30,</b>		<b>Amount of Change</b>	<b>Percentage of Change</b>
	<b>2015</b>	<b>2013</b>		
<b>Operating Revenues:</b>				
Residential Gas Sales	\$ 667,393	652,003	15,390	2%
Commercial Gas Sales	439,737	346,037	93,700	27%
Material and Service Sales	1,729	590	1,139	193%
Service Income	1,392	650	742	114%
Service Income (Related Party)	4,132	4,132	0	0%
<b>Total Operating Revenues</b>	<b>1,114,383</b>	<b>1,003,412</b>	<b>110,971</b>	<b>11%</b>
<b>Operating Expenses:</b>				
Production/Processing Expense	729,412	648,309	81,103	13%
Distribution Expense	122,935	74,136	48,799	66%
Accounting and Collecting	30,059	26,273	3,786	14%
Administrative and General	173,706	150,745	22,961	15%
Transportation	3,181	4,714	(1,533)	(33%)
Depreciation	41,859	41,040	819	2%
Payroll Taxes/IPERS	22,139	24,436	(2,297)	(9%)
<b>Total Operating Expenses</b>	<b>1,123,291</b>	<b>969,653</b>	<b>153,638</b>	<b>16%</b>
<b>Operating Income (Loss)</b>	<b>(8,908)</b>	<b>33,759</b>	<b>(42,667)</b>	<b>(126%)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Gain on Disposal of Capital Assets	8,100	0	8,100	N/A
Customer Penalties	910	912	(2)	(0%)
Interest Income	21,613	26,578	(4,965)	(19%)
Interest Income (Water, Sewer Funds)	65,674	55,752	9,922	18%
Insurance Dividends	1,839	0	1,839	N/A
Construction Support Payment	3,275	3,176	99	3%
Free Community Service (Related Party)	(12,651)	0	(12,651)	N/A
Free Community Service	(40,817)	(15,032)	(25,785)	172%
Interest Expense	(331)	(294)	(37)	13%
<b>Net Nonoperating Revenues (Expenses)</b>	<b>47,612</b>	<b>71,092</b>	<b>(23,480)</b>	<b>(33%)</b>
<b>Change in Net Position Before Extraordinary Item and Other Financing Use</b>	<b>38,704</b>	<b>104,851</b>	<b>(66,147)</b>	<b>(63%)</b>
<b>Extraordinary Item:</b>				
FEMA Disaster Grant (Flooding)	9,179	0	9,179	N/A
<b>Other Financing Use:</b>				
Transfer Out - Revolving Loan Fund	(60,000)	0	(60,000)	N/A
<b>Change in Net Position After Extraordinary Item and Other Financing Use</b>	<b>(12,117)</b>	<b>104,851</b>	<b>(116,968)</b>	<b>(112%)</b>
<b>Net Position Beginning of Year, As Restated</b>	<b>4,763,734</b>	<b>4,679,699</b>	<b>84,035</b>	<b>2%</b>
<b>Net Position End of Year</b>	<b>\$ 4,751,617</b>	<b>4,784,550</b>	<b>(32,933)</b>	<b>(1%)</b>

See Accompanying Independent Auditor's Report.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
Government Auditing Standards**

# **DE NOBLE, AUSTIN & COMPANY PC**

## **Certified Public Accountants**

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### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Members of the Utilities Board of Trustees:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund of the Rock Rapids Municipal Utilities, a Component Unit of the City of Rock Rapids, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated January 25, 2016.

The report on the business type activities and each major proprietary (enterprise) fund was adverse due to management not recording the net other postemployment benefits (OPEB liability), the corresponding OPEB expense and the disclosures on the OPEB obligation in the Notes to Financial Statements. Accounting principles generally accepted in the United States of America require that the net OPEB liability be reported and expensed, which would increase liabilities and expenses and decrease net position of the business type activities and the major proprietary (enterprise) funds and that certain information/data be disclosed in the Notes to Financial Statements in regards to the OPEB. The amounts by which this departure would affect the liabilities, net position and expenses of the business type activities and the major proprietary (enterprise) funds and the failure to report the required OPEB disclosures are not reasonably determinable.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Rock Rapids Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rock Rapids Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Rock Rapids Municipal Utilities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of



deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Rock Rapids Municipal Utilities' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Rock Rapids Municipal Utilities' internal control described in the accompanying Schedule of Findings as items 15-A, B, C, D, E and F to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 15-G, H and I to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rock Rapids Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Rock Rapids Municipal Utilities' Responses to Findings

The Rock Rapids Municipal Utilities' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Rock Rapids Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*De Noble, Austin & Company PC*

De Noble & Company PC

d/b/a De Noble, Austin & Company PC

Certified Public Accountants

January 25, 2016

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule of Findings**



**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule of Findings**

**Fiscal Year Ended June 30, 2015**

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- 15-A      Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the handling of assets and various aspects of the recordkeeping functions are not entirely separated among employees.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utilities should review its operating procedures to obtain the maximum internal control possible under the circumstances. The Utilities inability to eliminate segregation of duties issues reduces the effectiveness of the Utilities control environment and increases the risk of material errors, theft or fraud not being detected.

Response – We will continue to evaluate options to segregate duties to the extent possible within economic constraints.

Conclusion – Response acknowledged. The Utilities should segregate duties to the extent possible with existing personnel, by using city personnel and by utilizing administrative personnel/governing body members to provide additional control through review of financial transactions and reports

- 15-B      Financial Reporting – During the audit, we identified material amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net positions, revenues and expenses not recorded properly in the Utilities' financial statements and disclosures not properly being reported on in the Utilities' Notes to Financial Statements. Some of the assets and liabilities were not reconciled between the general ledger and the corresponding detailed subsidiary records. Adjustments/disclosure changes were subsequently made by the Utilities to properly include these amounts, including making sure subsidiary detail and general ledger control accounts, all reconciled properly, and disclosures in the financial statements and notes were all-inclusive and materially accurate, except as previously noted for the OPEB obligation.

Recommendation – The Utilities should implement procedures and controls and conduct staff training to ensure all assets, deferred outflows of resources, liabilities, deferred inflows of resources, net positions, revenues, expenses and disclosures are identified, materially accurate, and included in the Utilities' financial statements and notes. Detailed subsidiary records should be prepared for general ledger control accounts and reconciliations of these records should be prepared on a monthly basis by an independent

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule of Findings**

**Fiscal Year Ended June 30, 2015**

person. Management should be monitoring procedures and controls and reviewing the financial records/reporting on a regular basis to help ensure the accuracy of the financial records/reporting.

Response – We have made several revisions that we believe are improvements during fiscal year 2015/2016 to our accounting procedures and controls and overall financial reporting.

Conclusion – Response accepted. Please continue to develop procedures and controls to improve financial reporting.

- 15-C Payroll Procedures – We noted a couple instances where there was no written absentee slip and a couple instances where there was no absentee slip approval documented by the employee's supervisor for compensated absence time payment. We noted hand written entries on the timecards, rather than a time being recorded by the time clock; some of the hand written times which did not have any written indication of approval by management. Additionally, we noted discrepancies between employees' time sheets and time clock cards.

Recommendation – Absentee slips should be completed and approved by an employee's supervisor for all compensated absences before payment is authorized. Any handwritten entries on the time cards should be kept to a minimum and should be approved and initialed by management. Additionally, employees' time sheets and time clock records should reconcile before his or her paycheck is issued.

Response – We will implement procedures to address the issues noted.

Conclusion – Response accepted.

- 15-D Management Procedures – Based on findings during the audit, we identified that there appears to be a need for a higher level of oversight by management over developing internal control, compliance and antifraud procedures and monitoring existing procedures that are in place to ensure the procedures are enforced.

Recommendation – Utilities management needs to evaluate policies and procedures to ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. Utilities management needs to review audit findings identified and assess the level of risk associated with each finding and incorporate this assessed level of risk into its development/enforcement of policies and procedures.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule of Findings**

**Fiscal Year Ended June 30, 2015**

Response – We will continue to work toward developing strategies to your recommendations.

Conclusion – Response accepted. Please review policies and procedures for methods to improve internal controls, compliance issues, and anti-fraud procedures.

- 15-E Disbursement Procedures – We noted several instances where the only supporting documentation on file was a copy of a credit card slip (no detailed supporting receipt) or only the charge on the credit card statement (no credit card slip was even available).

Additionally, we noted there were service charges incurred due to late payments on one vendor's account.

Recommendation – Care should be given to be sure that all invoices are paid timely to avoid service charges. All disbursements should be supported by an actual receipt/invoice that supports the expense in detail. Meal reimbursements must be supported by a receipt detailing what was purchased.

Response – We will evaluate our disbursement procedures to eliminate this problem and be sure we retain proper supporting documentation.

Conclusion – Response accepted.

- 15-F Employee Benefits – We noted that a part-time employee received full time employee benefits(vacation/sick); however, this is contradictory to the employee policies/handbook which states these benefits are earned at a lower amount for part-time employees. Additionally, we found instances of errors in the accrued vacation records where incorrect hours were earned or not shown as used on the vacation tracking spreadsheet.

Recommendation – The Utilities' need to develop procedures to ensure all employee handbook policies are being followed. Procedures need to be implemented to be sure that all time off and time earned for vacation, sick leave and comp time is being properly recorded.

Response – We are having a legal review of our employee handbook to ensure all policies comply with present day laws.

Conclusion – Response accepted.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule of Findings**

**Fiscal Year Ended June 30, 2015**

- 15-G Billing/Collections – Errors were found on sales tax remitted to the State of Iowa as a result of sales tax on revenue billings/collections to amounts being remitted are not reconciled on a regular basis ensure the amounts paid are accurate.

Recommendation – Procedures should be implemented to ensure that the same sales tax amount billed/collected is being remitted to the State of Iowa by developing cross-checking procedures between staff.

Response – We have implemented procedures to cross check that the correct amounts are being paid to match our billed amount of sales tax.

Conclusion – Response accepted.

- 15-H Accrued Vacation Carryover – Employees were allowed without formal Board approval to carryover vacation time in excess of the amount of hours allowable per the employee handbook.

Recommendation – Vacation time should only be allowed to be carried over in accordance with the employee handbook unless formal approval is given by the controlling Board or this authority is granted to the Utilities Manager. This approval should be documented in the controlling Board's minutes.

Response – We will implement this recommendation

Conclusion – Response accepted.

- 15-I Note Receivable Interest – During testing of notes receivable, it was discovered that a required interest payment due in December 2014 on a note receivable was not received.

Recommendation – The Utilities should implement procedures to ensure that the terms of all notes receivable are being followed properly.

Response – We will implement procedures to be sure that all terms are being properly followed by having dual employees review all payment schedules to ensure proper collections.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule of Findings**

**Fiscal Year Ended June 30, 2015**

**Other Findings Related to Required Statutory Reporting:**

15-1      Certified Budget – The Rock Rapids Municipal Utilities is budgeted as a part of the City of Rock Rapids. Disbursements, included in the City’s budget for the Utilities, during the fiscal year ended June 30, 2015 did not exceed the original budgeted amounts (before being amended) or the final amended budget amount for the Rock Rapids Municipal Utilities.

15-2      Questionable Expenses – Certain expenses we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented or the necessary documentation to support the expense was not present were noted. These expenses are detailed as follows:

- We noted service charges due to late payments on one vendor’s account.
- We noted that the only support for several meal purchases on credit cards and a couple travel expenses was a copy of a credit card slip and no detailed receipt/supporting documentation.

According to the opinion, it is possible for such expenses to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – Care should be given to be sure that all invoices are paid timely to avoid service charges. All disbursements should be supported by an actual receipt/invoice that supports the expense in detail. Meal reimbursements and travel expenses, specifically, must be supported by a receipt detailing what was purchased.

Response – We will evaluate our disbursement procedures to eliminate this problem and be sure we retain proper detailed supporting documentation.

Conclusion – Response accepted.

15-3      Travel Expense – No expenses of Utilities money for travel expenses of spouses of Utilities officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: 15-2” for a possible related comment.

15-4      Business Transactions – No business transactions between the Utilities and Utilities officials, employees or family members of officials/employees were noted.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule of Findings**

**Fiscal Year Ended June 30, 2015**

15-5      Bond Coverage - Surety bond coverage of Utilities officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

15-6      Board Minutes – We noted several claims (checks for payments) that were not included properly in the minutes as formally approved. We noted the Utilities had three special meetings without a 24 hour notice (2 with about a 23 hour notice) before the meeting was held with no reasoning noted in the minutes for not observing the 24 hour notice requirement. Additionally, we noted three meetings which were not published within 15 days of the Board meeting. Two of the Board meetings' minutes were never published and the other Board meeting's minutes was published after 22 days.

Recommendation – The Utilities should implement procedures to ensure that all claims (checks) are properly approved in the Board minutes. The Utilities should implement procedures to allow enough timing for special meetings to be held so the public can be given adequate notice on when the meetings will take place. Per Iowa Code Chapter 21.4, the Utilities Board is to give the public a minimum of 24 hours for any meeting. If this can't be done due to an emergency, the reasoning must be documenting as part of the Utilities official minutes. Additionally, proper and timely publishing of Board minutes should be completed in accordance with Chapter 394.18 of the Code of Iowa.

Response – We will implement procedures to be in accordance with Iowa Code requirements of having all checks approved by the Board in the minutes and making sure all minutes are published timely. Due to urgency of matters to be discussed around the time of the 2014 flooding, two of the meetings did not get posted with a 24 hour notice. We will implement your recommendation of noting the reasoning in the minutes if an urgent special meeting would happen in the future.

Conclusion – Response accepted.

15-7      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utilities' investment policy were noted.

15-8      Revenue Bonds/Notes – The Utilities did not have any revenue bonds or notes payable during the fiscal year ended June 30, 2015.

15-9      Check Images – It was discovered that the Utilities are not receiving images of the endorsement side of cancelled checks, which is a violation of Section 55D.114(5) of the Code of Iowa.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Schedule of Findings**

**Fiscal Year Ended June 30, 2015**

Recommendation – The Utilities should contact the bank to begin receiving check images of both sides of all checks.

Response – We will start to get the reverse image of all checks from the bank in order to be in compliance with the Code of Iowa.

Conclusion – Response accepted.

**Rock Rapids Municipal Utilities,  
A Component Unit of the City of Rock Rapids**

**Staff**

This audit was performed by:

David De Noble, CPA, Senior Auditor  
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De Noble & Company PC  
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